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January 31, 2002

Chairman William A. Mundell
Commissioner Jim Irvin
Commissioner Marc Spitzer
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Arizona Corporation Commission

DOCKETED

JAN 31 2002

DOCKETED BY

L-00000B-00-0105

Dear Commissioners:

Enclosed please find SRP's first quarterly report on the status of the Santan project. This report provides up-to-date information and documentation on the status of SRP's efforts to comply with each condition contained in the Certificate of Environmental Compatibility (CEC).

In addition, with respect to Condition No. 36, I would like to inform you that, today, Dick Silverman directed that the attached letter be sent to Mr. Dale Lieb, Maricopa County Air Permits Manager. As you can see, SRP will submit a supplement to the Santan air quality permit to exclude diesel-burning provisions. As previously mentioned, SRP has always intended to fully comply with the 41 Santan CEC conditions. SRP trusts that the withdrawal of diesel provisions in the air quality permit application confirms this commitment.

As always, please feel free to contact me if you have additional questions or concerns.

Sincerely,

Kelly J. Barr

/seb

Enc.

Chairman William A. Mundell
Commissioner Jim Irvin
Commissioner Marc Spitzer
January 31, 2002
Page Two

cc: Lyn Farmer, Chief Administrative Law Judge
Ernest Johnson, Utilities Director
Chris Kempley, Legal Director
Brian McNeil, Executive Secretary
Docket Control

Richard H. Silverman, General Manager
Richard M. Hayslip, Manager, Environmental, Land, Risk Management &
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January 31, 2002

Mr. Dale Lieb
Air Permits Manager
Maricopa County Environmental Service Department.
1001 North Central Avenue, Suite 200
Phoenix, AZ 85004-1942

Re: Santan Expansion Project
Emergency Oil Burning

Dear Mr. Lieb:

SRP submitted a Significant Permit Revision Application for an 825 Mw expansion project at the Santan Generating Station on November 30, 2001. The permit application contained a technical and regulatory analysis to support the burning of fuel oil in the existing four units during emergency situations. The technical analysis demonstrated that burning low sulfur diesel fuel in the existing units during emergency situations would not cause or contribute to a violation of ambient air quality standards. This analysis also demonstrated protection of visibility and other air quality related values at nearby Class I areas when burning diesel fuel during emergency events.

As you know, the Certificate of Environmental Compatibility issued by the Arizona Corporation Commission for the Santan Expansion Project contained a condition prohibiting the use of fuel oil at Santan. As we have discussed, SRP intended to address that restriction in the air permit by supplementing the standard emergency oil use language contained in most County issued power plant permits and the proposed County Power Plant Rule to include language requiring ACC approval prior to burning fuel oil at Santan.

SRP no longer intends to pursue an emergency fuel oil burning provision in the Santan air quality permit. Therefore, SRP will be submitting a supplement to the Significant Permit Revision Application excluding the technical and regulatory analysis addressing emergency fuel oil burning. In addition, SRP will accept a locally enforceable permit condition allowing only natural gas to be used in both the new and the existing units.



SRP is the proud recipient of the Points of Light Foundation Excellence in Corporate Community Service Award 2000

EC 11867.012

If you have any questions, please call me at 602-236-2968.

Sincerely,



Kevin Wanttaja, Manager
Environmental Compliance

KGW/css

cc: R. Hayslip
K. Barr
S. Peplau, MCESD
File: PRJ 12-2

1	Richard Tobin	Designee for the Arizona Department of Environmental Quality
2		
3	Dennis Sundie	Designee for the Director of the Department of Water Resources
4		
5	Mark McWhirter	Designee for the Director of the Energy Office of the Arizona Department of Commerce
6		
7	George Campbell	Appointed Member
8	Jeff McGuire	Appointed Member
9	A. Wayne Smith	Appointed Member
10	Sandie Smith	Appointed Member
11	Mike Whalen	Appointed Member

12 The Applicant was represented by Kenneth C. Sundlof, Jr., Jennings, Strouss &
13 Salmon PLC. There were seventeen intervenors: Arizona Utilities Investor Association,
14 by Ray Heyman; Arizona Corporation Commission Staff, by Janice Alward; Arizona
15 Center for Law in the Public Interest, by Timothy Hogan, Mark Kwiat, Elisa Warner,
16 David Lundgreen, Cathy LaTona, Sarretta Parrault, Mark Sequeira, Cathy Lopez,
17 Michael Apergis, Marshal Green, Charlie Henson, Jennifer Duffany, Christopher
18 Labban, Bruce Jones and Dale Borger. There were a number of limited appearances.

19 The Arizona Corporation Commission has considered the grant by the Power
20 Plant and Line Siting Committee of a Certificate of Environmental Compatibility to SRP
21 and finds that the provisions of A.R.S. §40-360.06 have complied with, and, in addition,
22 that documentary evidence was presented regarding the need for the Santan Expansion
23 Project. Credible testimony was presented concerning the local generation deficiency in
24 Arizona and the need to locate additional generation within the East Valley in order to
25 minimize transmission constraints and ensure reliability of the transmission grid. The
evidence included a study that assessed the needs of the East Valley. The analysis

1 found that the East Valley peak load currently exceeds the East Valley import capability
2 and within the next 5 years the East Valley load will exceed the load serving capability.

3 Additional testimony was presented regarding SRP's projected annual 3.7% load
4 growth in its service territory. By 2008, SRP will need approximately 2700 MW to meet
5 its load. This local generation plant will have power available during peak periods for
6 use by SRP customers.

7 At the conclusion of the hearing and deliberations, the Committee, having
8 received and considered the Application, the appearance of Applicant and all
9 intervenors, the evidence, testimony and exhibits presented by Applicant and all
10 intervenors, the comments made by persons making limited appearances and the
11 comments of the public, and being advised of the legal requirements of Arizona Revised
12 Statutes Sections 40-360 to 40-360.13, upon motion duly made and seconded, voted to
13 grant Applicant the following Certificate of Environmental Compatibility (Case No. L-
14 00000B-00-0105):

15 Applicant and its assignees are granted a Certificate of Environmental
16 Compatibility authorizing the construction of an 825 megawatt generating facility
17 consisting of three combined cycle units with a total net output of 825 megawatts
18 together with related infrastructure and appurtenances, in the Town of Gilbert, on
19 Applicant's existing Santan Generating Station site, and related switchyard and
20 transmission connections, as more specifically described in the Application (collectively,
21 the "Project"). Applicant is granted flexibility to construct the units in phases, with
22 different steam turbine configurations, and with different transmission connection
23 configurations, so long as the construction meets the general parameters set forth in the
24 application.
25

1 This certificate is granted upon the following conditions:

- 2 1. Applicant shall comply with all existing applicable air and water pollution
3 control standards and regulations, and with all existing applicable
4 ordinances, master plans and regulations of the State of Arizona, the
5 Town of Gilbert, the County of Maricopa, the United States, and any other
6 governmental entities having jurisdiction.

7 **Status ~ SRP has determined the following environmental laws and**
8 **regulations apply to the construction and operation of the Santan**
9 **Expansion Project:**

10 **a. Federal Clean Air Act – SRP must obtain an air permit to construct**
11 **and operate SEP. Maricopa County Environmental Services Department**
12 **(MCESD) is the lead regulatory authority for preparing and issuing an**
13 **air quality permit. The final permit will specify all applicable federal,**
14 **state and county air quality standards and regulations applicable to**
15 **SEP. SRP submitted the air quality permit application to MCESD on**
16 **November 30, 2001.**

17 **b. Federal Clean Water Act – SRP may be required to obtain a CWA**
18 **discharge permit, known as an NPDES permit, for wastewater**
19 **discharges to navigable waters. SRP is still examining wastewater**
20 **discharge options. An NPDES permit must be secured prior to**
21 **discharging any wastewater to navigable waters. SRP will conform to**
22 **this requirement if applicable. SRP has an existing CWA Spill**
23 **Prevention, Control and Countermeasures Plan (SPCC) for the storage**
24 **of petroleum products. This plan may need to be amended if there are**
25 **any changes in oil use or storage.**

c. State Aquifer Protection Permit (APP) – SRP will need to obtain a
state issued Aquifer Protection Permit for an on-site wastewater
impoundment. SRP may temporarily hold plant-cooling wastewater on
site. An APP is needed to ensure that impoundment is constructed and
operated in such a manner to prevent discharges that would negatively
impact the aquifer. SRP anticipates submitting the APP application in
February 2002. SRP may also need to obtain an APP for offsite
discharge or reuse options depending on the location of the discharge.

d. SRP is working with the Town of Gilbert and Maricopa County, and
will comply with all of their applicable ordinances.

- 21 2. This authorization to construct the Project will expire five (5) years from
22 the date the Certificate is approved by the Arizona Corporation
23 Commission unless construction of the Project is completed to the point
24 that the project is capable of operating at its rated capacity; provided,
25 however, that Applicant shall have the right to apply to the Arizona
Corporation Commission for an extension of this time limitation.

Status ~ The SEP construction schedule is set so that the generating
units will be fully operational by June 2005.

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3. Applicant's project has two (2) approved transmission lines emanating from its power plant" transmission switchyard and interconnecting with the existing transmission system. This plant interconnection must satisfy the single contingency criteria (N-1) without reliance on remedial action such as a generator unit tripping or load shedding.

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Status ~ There are currently four 230 kV circuits connecting the Santan switchyard to other substations and receiving stations in the SRP transmission system. There are also three 230/69 kV transformers in the Santan switchyard. Hence connection of the SEP generators to the existing 230 kV and 69 kV switchyards at Santan will provide for required redundant connections to the grid.

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4. Applicant shall use reasonable efforts to remain a member of WSCC, or its successor, and shall file a copy of its WSCC Reliability Criteria Agreement or Reliability Management System (RMS) Generator Agreement with the Commission.

11
12

Status ~ SRP is currently a member of the WSCC and plans to continue its membership. See Appendix A for documents applicable to this condition.

- 13
14
5. Applicant shall use reasonable efforts to remain a member of the Southwest Reserve Sharing Group, or its successor.

15

Status ~ SRP is currently a member of the Southwest Reserve Sharing Group and plans to continue its membership.

- 16
17
6. Applicant shall meet all applicable requirements for groundwater set forth in the Third Management Plan for the Phoenix Active Management Area.

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Status ~ SRP is continuing its negotiations with the Town of Gilbert and the Central Arizona Water Conservation District to provide renewable water supplies (Salt/Verde surface water, effluent and/or Central Arizona Project water) for use at the Santan Expansion Project. SRP will be using these renewable water supplies both directly and through the recovery of storage credits developed by first storing renewable water supplies in the underground aquifer, as required by the Third Management Plan for the Phoenix Active Management Area. The industrial water from the Santan Expansion Project will be reused locally for agricultural and residential irrigation.

- 23
24
25
7. With respect to landscaping and screening measures, including the improvements listed in the IGA, Applicant agrees to develop and implement a public process consistent with the process chart (Exhibit 89) presented during the hearings, modifying the dates in the IGA with the

1 Town of Gilbert, if necessary, to correspond with the schedule in Exhibit
2 89.

3 The new Community Working Group (CWG) will consist of 12 members,
4 selected as follows: one member selected by the Town of Gilbert, four
5 members selected by neighborhood homeowner associations, four
6 representatives selected by intervenors, and three members selected by
7 SRP (not part of the aforementioned groups) who were part of the original
community working group. Applicant and landscaping consultants shall
act as advisors to the CWG. CWG meetings shall be noticed to and be
open to the general public. The initial meeting shall take place on an
evening or weekend in the Town of Gilbert.

8 The objective of the CWG shall be to refine the landscaping and mitigation
9 concept plans submitted during these hearings (Exhibit 88). The CWG shall
10 work to achieve appropriate visual mitigation of plant facilities and to
11 facilitate the design and installation of the concept plan components so as to
12 maximize the positive impact on the community and to increase, wherever
13 possible, the values of the homes in the neighboring areas. The refinement
of the mitigation plans shall be reasonably consistent with the planning
criteria of the Town of Gilbert, the desires of neighboring homeowner
associations, and the reasonable needs of Applicant.

14 Applicant shall retain an independent facilitator, acceptable to the CWG, to
15 conduct the CWG meetings. It shall be the role of the facilitator to assist in
initial education and in conducting an orderly and productive process. The
facilitator may, if necessary, employ dispute resolution mechanisms.

16 The CWG shall also assist in establishing reasonable maintenance
17 schedules for landscaping of Applicant's plant site in public-view areas.

18 Applicant will develop with the Town of Gilbert a continuous fund, to be
19 administered by the Town of Gilbert, to provide for the construction and
20 maintenance of off-site landscaping in the areas depicted in the off-site
landscaping concepts as developed by the CWG in an amount sufficient to
fund the concepts in Exhibit 88 or concepts developed by the CWG,
whichever is greater.

21 **Status ~ SRP is conducting a process to complete the landscaping and**
22 **screening designs around the Santan Generating Station. This process**
23 **involves 12 Gilbert-area residents in a group known as the Landscaping**
24 **and Mitigation Community Working Group (CWG), which began meeting**
25 **in June of 2001. The Arizona Power Plant and Transmission Line Siting**
Committee set forth the basic requirements of the CWG and its
representatives. The meetings are open to the general public and
meeting announcements are listed on the Town of Gilbert and SRP Web
sites, advertised in the Gilbert Independent, Arizona Republic, and East

1 Valley Tribune Newspapers, and announced on Gilbert's municipal
2 television station, Cox Cable Channel 7. A special edition of SRPs
3 "Energy News" (see Appendix B) was sent out to customers within a
4 five-mile radius, approximately 95,000 customers, in August informing
5 them of the CWG, the manner in which its meetings would be
6 publicized, and ways to obtain information. Approved meeting minutes
7 are available on the Internet at www.santanfacts.org. At the start of the
8 process the CWG members interviewed three potential independent
9 facilitators and selected Mary Orton to conduct the meetings. TenEyck
10 Landscape Architects Inc. is developing design concepts in accordance
11 with the input provided by the group.

12 The Landscaping & Mitigation CWG has had sixteen 4-hour meetings.
13 The initial meeting was held on June 2, 2001, the group has met on the
14 following dates since then:

June 13th	September 22nd	December 15th
July 7th	October 23rd	January 5th
July 17th	November 1st	January 23rd
July 28th	November 6th	
August 14th	November 26th	
September 8th	December 1st	

15 As of the January 5, 2002 meeting the CWG has reached consensus on
16 approximately 36 items for the on-site design only. These 36 items are
17 categorized in the following general terms:

- 18 • Identified trees, groundcover, shrubs, and decomposed granite that will
19 be installed in the Warner Road median.
- 20 • Identified trees, groundcover, shrubs, fencing, and decomposed granite
21 for berm on Warner Road.
- 22 • Identified type and look of terrace walls that will be on Warner Road
23 berm.
- 24 • A barrier will be built on the north side of Warner Road across the
25 transmission line easement.
- A specialty feature will be added on the south side of Warner directly
across from Key Biscayne Drive
- North, West and South side preliminary designs are near completion
with the exception of some minor details

The CWG decided to finalize on-site design plans before addressing off-site mitigation plans. The on-site plans will then be forwarded to the Town for its approval, after which the Landscape Architect will prepare construction documents. SRP will then proceed with hiring the appropriate contractors to build and plant the structures and vegetation as prescribed in the landscaping plans.

Once the CWG finishes its work on the landscaping plans, SRP and the CWG will work to agree on a plan, which will maximize the visual mitigation within the projects budgetary constraints.

1 ***Additional aspects of this condition will be addressed once the off-site***
2 ***landscaping plans are completed.***

- 3 8. The visual mitigation efforts shall be in general compliance with the plans and
4 concepts presented in these proceedings and constitute a commitment level by
5 Applicant. Applicant will not reduce the overall level of mitigation as set forth in
6 its Application and this proceeding, except as may be reasonably changed
7 during the CWG process. The Town of Gilbert shall approve the plans agreed
8 to by the CWG.

9 ***Status ~ SRP will not reduce the overall level of mitigation. The concept***
10 ***plans discussed in the hearings estimated \$3.6 million to complete the***
11 ***on-site plan which included mitigation for the north, south, west and***
12 ***east side including the recreational trails. As details emerged, the***
13 ***landscape architect advised it would take \$4.5 million to complete the***
14 ***same concept plans. SRP has committed \$5 million for on-site***
15 ***mitigation, which includes the \$4.5 million to complete the base***
16 ***conceptual design plus an additional \$500,000 to use at the discretion***
17 ***of the CWG. This \$5 million does not include the following:***

- 18 • ***Off-site mitigation***
- 19 • ***Warner Road improvements***
- 20 • ***Warner Road median enhancements***
- 21 • ***Other IGA requirements (canal re-alignment, training tower removal,***
22 ***cell tower relocation, undergrounding of electrical line along Warner***
23 ***Road)***
- 24 • ***Relocation of 69kv line along east side to accommodate landscaping***
- 25 • ***Perimeter wall***
- ***Build pit to depress the HRSGs***
- ***Move solar panels and retention pond to accommodate berm***

9. Applicant shall, where reasonable to do so, plant on site trees by the fall of
2001. Because planting of trees must await the improvement of Warner
Road and the design and construction of berms, this condition will largely
apply to trees on the East side of the site, and some of the trees on the
North side. All landscaping will be installed prior to the installation of major
plant equipment such as, but not limited to, exhaust stacks, combustion
turbines, and heat recovery steam generators, except where delays are
reasonably necessary to facilitate construction activities.

Status ~ The design plan has not been completed; therefore planting
 has not started. Early in the CWG process, the CWG targeted October
 21, 2001 as a target to complete the on site design. As of January 23,
 2002 the on site design has not been completed. SRP continues to
 encourage completion of the design plans so that trees can be planted
 as soon as possible.

- 1 10. Applicant shall operate the Project so that during normal operations the
2 Project shall not exceed the most restrictive of applicable (i) HUD residential
3 noise guidelines, (ii) EPA residential noise guidelines, or (iii) applicable City
4 of Tempe standards. Additionally, construction and operation of the facility
5 shall comply with OSHA worker safety noise standards. Applicant agrees
6 that it will use its best efforts to avoid during nighttime hours construction
7 activities that generate significant noise. Additionally, Applicant agrees to
8 comply with the standards set forth in the Gilbert Construction Noise
9 Ordinance, Ordinance No. 1245, during construction of the project. In no
10 case shall the operational noise level be more than 3 db above background
11 noise as of the noise study prepared for this application. The Applicant shall
12 also, to the extent reasonably practicable, refrain from venting between the
13 hours of 10:00 p.m. and 7:00 a.m.

14 ***Status ~ SRP is currently in the process of taking additional noise
15 readings under varying conditions. These noise readings will assist the
16 Architect/Engineer firm to ultimately prepare the recommendations on
17 equipment selection and barrier concepts in order to properly mitigate
18 the noise levels.***

- 19 11. Applicant will work with the Gilbert Unified School District to assist it in
20 converting as many as possible of its school bus fleet to green diesel or
21 other alternative fuel, as may be feasible and determined by Gilbert Unified
22 School District, and will contribute a minimum of \$330,000 to this effort.

23 ***Status ~ Discussions have been held with The Gilbert Unified School
24 District. The District currently sees the green diesel alternative as
25 costing them more money in infrastructure and would like to discuss
26 possible alternatives.***

- 27 12. Applicant shall actively work with all interested Valley cities, including at a
28 minimum, Tempe, Mesa, Chandler, Queen Creek and Gilbert, to fund a
29 Major Investment Study through the Regional Public Transit Authority to
30 develop concepts and plans for commuter rail systems to serve the growing
31 population of the East Valley. Applicant will contribute a maximum of
32 \$400,000 to this effort.

33 ***Status ~ SRP is in initial discussions with County representatives.***

- 34 13. Within six months of approval of this Order by the Arizona Corporation
35 Commission, Applicant shall either relocate the gas metering facilities to the
36 interior of the plant site or construct a solid wall between the gas metering
37 facilities at the plant site and Warner Road. The wall shall be of such
38 strength and size as to deflect vehicular traffic (including a fully loaded
39 concrete truck) that may veer from Warner Road to the gas-metering site.

40 ***Status ~ By mid October, 2001 SRP had erected a earthen and concrete
41 temporary barrier in front of the gas metering station along Warner***

1 **Road. We will soon implement a plan to permanently move the gas**
2 **metering station to a site near the south end of the SRP property. The**
3 **relocation should be completed later this spring.**

- 4 14. Applicant will use only SRP surface water, CAP water or effluent water for
5 cooling and power plant purposes. The water use for the plant will be
6 consistent with the water plan submitted in this proceeding and acceptable
7 to the Department of Water Resources. Applicant will work with the Town of
8 Gilbert to attempt to use available effluent water, where reasonably feasible.

9 **Status ~ As stated in Condition 6, SRP is continuing its negotiations**
10 **with the Town of Gilbert and the Central Arizona Water Conservation**
11 **District to provide renewable water supplies (Salt/Verde surface water,**
12 **effluent and/or Central Arizona Project water) for use at the Santan**
13 **Expansion Project. As indicated in the attached letter dated April 25,**
14 **2001 from the Arizona Department of Water Resources, the Department**
15 **reviewed the water supply alternatives and found "both acceptable and**
16 **either should be able to meet the water requirements for the SEP."**

17 **Additional progress in implementing the water supply alternatives**
18 **presented to the Arizona Power Plant & Transmission Line Siting**
19 **Committee is evidenced by the following letters and agreements, all of**
20 **which are attached as Appendix C:**

- 21 • **Amendment of Certificate of Water Exchange Enrollment #67-**
22 **547270. This letter modifies the existing water exchange**
23 **between SRP and the Town of Gilbert to include CAP water and**
24 **effluent as water exchange sources.**
- 25 • **Inclusion of SRP wells in Recovery Permit Well Permit. This**
 letter provides SRP's approval for the Town of Gilbert to list all
 SRP wells within its water service area in Gilbert's Recovery Well
 Permit application. It includes the four SRP wells, which will be
 used for emergency and back-up water supply at SEP.
- **SRP Groundwater Savings Facility Consent and executed**
 Groundwater Savings Facility Agreement. This letter and
 agreement allows for the Town of Gilbert to store CAP water in
 SRP's Groundwater Savings Facility for developing water
 storage credits.

15. Applicant agrees to comply with all applicable federal, state and local
 regulations relative to storage and transportation of chemicals used at the
 plant.

Status ~ The Emergency Planning Community Right-To-Know Act
 (EPCRA) establishes requirements for emergency planning and
 "Community Right-To-Know" reporting on hazardous and toxic
 chemicals. States and communities, working with facilities, use the
 information to improve chemical safety and protect the public from
 potential chemical hazards.

1 **SRP must comply with the four major provisions of EPCRA: emergency**
2 **planning, emergency release notification, hazardous chemical storage**
3 **reporting, and toxic release inventory reporting. The existing Santan**
4 **Generating Station complies with these requirements. Santan's**
5 **emergency plans and reports will be amended and filed with the**
6 **appropriate authorities to reflect changes in chemical usage and**
7 **storage associated with the expansion project.**

8 **The transportation of hazardous materials is regulated by the Arizona**
9 **Department of Transportation (ADOT). SRP will only use transporters**
10 **with the required ADOT certifications and a safe performance record.**

11 **In addition, the Resource Conservation and Recovery Act (RCRA)**
12 **regulates the management of solid and hazardous wastes, including**
13 **chemical wastes. The Santan Generating Station has a program in place**
14 **to comply with applicable requirements of RCRA. Wastes generated**
15 **during construction and operation of the Santan Expansion Plant will be**
16 **managed under this program.**

- 17 16. Applicant agrees to maintain on file with the Town of Gilbert safety and
18 emergency plans relative to emergency conditions that may arise at the
19 plant site. On at least an annual basis Applicant shall review and update, if
20 necessary, the emergency plans. Copies of these plans will be made
21 available to the public and on Applicant's web site. Additionally Applicant
22 will cooperate with the Town of Gilbert to develop an emergency notification
23 plan and to provide information to community residents relative to potential
24 emergency situations arising from the plant or related facilities. Applicant
25 agrees to work with the Gilbert police and fire departments to jointly develop
on site and off-site evacuation plans, as may be reasonably appropriate.
This cooperative work and plan shall be completed prior to operation of the
plant expansion.

Status ~ SRP has met with the Town of Gilbert to discuss the
transportation, storage and use of aqueous ammonia at the Santan
Expansion Project. SRP also met with the Maricopa County Local
Emergency Planning Committee to discuss preliminary plans for
aqueous ammonia transportation and storage. As required by federal
regulations, SRP will update its emergency plans to include response
procedures for aqueous ammonia spills. This plan will be updated and
provided to the Town of Gilbert and other appropriate agencies prior to
any aqueous ammonia being brought on site. Due to the physical and
chemical properties of 19 percent aqueous ammonia, evacuation plans
may not be necessary to ensure the safety of onsite workers and off-
site. SRP will continue to work with the Town of Gilbert in evaluating
the appropriateness of evacuation plans.

17. In obtaining air offsets required by EPA and Maricopa County, Applicant will

1 use its best efforts to obtain these offsets as close as practicable to the plant
2 site.

3 **Status ~ SRP examined the feasibility of reducing emissions onsite**
4 **from the existing generating units to "offset" emissions from the**
5 **Santan Expansion Project. This study concluded that SRP could**
6 **implement new controls to reduce emissions of nitrogen oxides (NOx)**
7 **and carbon monoxide (CO). SRP received a Significant Air Quality**
8 **Permit Revision from MCESD that specifies the type of controls to be**
9 **installed and the amount of onsite emission reductions. Because of the**
10 **onsite reductions, SRP will not be required to secure emission offsets**
11 **for NOx and CO.**

12 **SRP retained a consultant to help identify potential offset sources in**
13 **Gilbert and the east valley for emissions of fine particulate matter**
14 **(PM10) and volatile organic compounds (VOCs). The consultant**
15 **concluded that PM10 offsets could be obtained by paving roads in the**
16 **east valley. SRP signed an agreement with Maricopa County**
17 **Department of Transportation to pave up to 18 miles of roadway in the**
18 **east valley, starting with roads closest to the plant site.**

19 **The consultant also determined that there were no significant industrial**
20 **sources of potential VOC offsets in Gilbert or the east valley. SRP also**
21 **examined the feasibility of converting fleet vehicles as a way of**
22 **securing VOC offsets. That also proved to be impracticable.**

23 **Thus, SRP had to expand its search to Phoenix. SRP identified an**
24 **industrial source in Phoenix that was a major source of VOCs. This**
25 **source agreed to shut down one of its older facilities to reduce VOC**
26 **emissions. MCESD and EPA certified the amount of VOC emission**
27 **credits from the shutdown. The shutdown took place in November 2001**
28 **and the VOC emission reductions were transferred to SRP for use as**
29 **offsets at Santan.**

- 30 18. In order to reduce the possibility of generation shortages and the attendant
31 price volatility that California is now experiencing, SRP will operate the
32 facilities consistent with its obligation to serve its retail load and to maintain a
33 reliable transmission system within Arizona.

34 **Status ~ SRP's first priority in operating its generating stations,**
35 **transmission system and distribution system is to safely supply a**
36 **reliable, low cost source of power to its retail customers. The Santan**
37 **Expansion Project will be operated in the same manner as current**
38 **resources and is a significant element in SRP's plans to avoid the kind**
39 **of price volatility that accompanied the California crisis.**

- 40 19. Beginning upon operation of the new units, Applicant will establish a citizens'
41 committee, elected by the CWG, to monitor air and noise compliance and
42 water quality reporting. Applicant will establish on-site air and noise
43 monitoring facilities to facilitate the process. Additionally Applicant shall

1 work with Maricopa County and the Arizona Department of Environmental
2 Quality to enhance monitoring in the vicinity of the plant site in a manner
3 acceptable to Maricopa County and the Arizona Department of
4 Environmental Quality. Results of air monitoring will be made reasonably
5 available to the public and to the citizens' committee. Applicant shall provide
6 on and off-site noise monitoring services (at least on a quarterly basis),
7 testing those locations suggested by the citizens' committee. The off-site air
8 monitoring plan shall be funded by the Applicant and be implemented before
9 operation of the plant expansion.

10 ***Status ~ SRP has met with Maricopa County Environmental Services
11 Department to discuss off-site air monitoring. There are existing
12 ambient air quality monitoring stations in the vicinity of Santan. It is
13 possible that one or more of these sites would be representative of air
14 quality conditions within the impact area of Santan. New sites are also
15 being evaluated. Based on input from MCESD and Arizona Department
16 of Environmental Quality, SRP will develop an offsite air monitoring
17 plan for presentation to the Citizen's committee.***

- 18 20. Applicant will explore, and deploy where reasonably practicable, the use of
19 available technologies to reduce the size of the steam plumes from the unit
20 cooling towers. This will be a continuing obligations throughout the life of the
21 plant.

22 ***Status ~ SRP is in the final stages of selecting an Architect/Engineer
23 (A/E) firm for the expansion project. One of the responsibilities of the
24 A/E selected will be to advise us on the availability and practicality of
25 reducing the size of the cooling tower plumes. In the plant design SRP
will utilize, where reasonably practicable, the use of available
technologies to reduce the steam plumes.***

- 26 21. SRP will, where practicable, work with El Paso Natural Gas Company to use
27 the railroad easements for the installation of the new El Paso gas line.

28 ***Status ~ SRP is in the beginning phase of planning for the new gas line
29 needed for the SEP units. There are several different points of
30 interconnection to the EPNG main line that are under consideration. Once
31 this point is chosen then a general route will become clear. Once we have
32 a proposed route for the new gas pipeline SRP will pursue use of the
33 railroad right-of-way for placement of that line.***

- 34 22. Other than the Santan/RS 18 lines currently under construction, Applicant
35 shall not construct additional Extra High Voltage transmission lines (115kV
and above) into or out of the Santan site, including the substation on the site.

***Status ~ SRP has no plans to construct additional Extra High Voltage
transmission lines (no new circuits 115kv and above) into or out of the
Santan site or substation on the site.***

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23. Applicant will replace all Town of Gilbert existing street sweepers with certified PM10 efficient equipment. A PM10 efficient street sweeper is a street sweeper that has been certified by the South Coast Air Quality Management District (California) to comply with the District's performance standards under its Rule 1186 (which is the standard referenced by the Maricopa Association of Governments).

Status ~ Preliminary discussions have been held with the Town of Gilbert. SRP is considering a plan to purchase the replacement street sweepers in conjunction with the Town of Gilbert's plan to purchase one additional street sweeper.

24. Applicant shall work in a cooperative effort with the Office of Environmental Health of the Arizona Department of Health Services to enhance its environmental efforts.

Status ~ SRP met with Will Humble, Office Chief of the Office of Environmental Health. The Office of Environmental Health will provide technical assistance and expertise to the citizens committee mentioned on condition 19. Such assistance will cover air, noise, and water quality issues and their impact on public health.

25. Applicant shall operate, improve and maintain the plant consistent with applicable environmental regulations and requirements of the Environmental Protection Agency, the Arizona Department of Environmental Quality, Maricopa County and the Town of Gilbert.

Status ~ SRP has an environmental management system (EMS) designed to assure compliance with applicable laws and regulations. This EMS includes the following elements:

- ***Adapting regulations and permit conditions into written procedures with clearly defined accountabilities***
- ***Training personnel on environmental requirements and compliance procedures***
- ***Conducting regular audits of facilities***
- ***Monitoring regulatory developments and incorporating new requirements as regulations become final***
- ***Communicating environmental performance to SRP Executive Management***

The Santan Generating Station is already integrated in the SRP EMS. Procedures and Environmental Information Management Systems (EIMS) will be modified to incorporate the new requirements associated with the Santan Expansion Project. Plant personnel will receive training on the new requirements and a formal audit will be conducted within one year of plant startup.

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26. Applicant shall actively work in good faith with Maricopa County in its efforts to establish appropriate standards relative to the use of distillate fuels in Valley generating facilities.

Status ~ SRP has been an active participant in the development of the County Power Plant Rule 322. This rule contains limitations on when distillate fuels can be burned at Valley generating facilities and on the sulfur content of the fuel. The rule stipulates that lower sulfur distillate fuel can only be burned in the event of an emergency, which is defined in the draft rule. See Appendix D for documents applicable to this condition.

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27. Applicant shall install continuous emission monitoring equipment on the new units and will make available on its website emissions data from both the existing and new units according to EPA standards. Applicant shall provide information to the public on its website in order to assist the public in interpreting the data, and provide viable information in a reasonable time frame.

Status ~ The Santan Air Quality Permit, to be issued by Maricopa County Environmental Services Department, will stipulate the requirements for Continuous Emission Monitors (CEMs) on the new generating units. Based on other recently permitted generating stations, SRP will likely have to install NOx and CO CEMs. In addition, SRP will also have to conduct periodic monitoring for PM10, VOCs and ammonia. These tests would be conducted in full conformance with EPA regulations.

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28. Applicant will comply with the provisions of the Intergovernmental Agreement dated April 25, 2000 between Applicant and the Town of Gilbert, as modified pursuant to this Certificate.

Status ~ There are eight SRP obligations noted on the IGA. See Appendix E for document applicable to this condition. The status of each obligation is as follows:

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- **Improvements to Warner Road and Val Vista Road ~ The Town of Gilbert has not yet submitted a bid to complete these improvements. At the request of the Santan CWG this bid was put on hold until the CWG could provide input on the median design. SRP expects the improvements to begin mid March of 2002.**
 - **Screening of the Plant ~ The on-site design plan has not been completed; therefore planting has not started. See condition 7 status for more details.**

- Trail Extension ~ At the request of the CWG and residents east of the plant boundary this obligation is on hold and being reviewed by the CWG and the Town of Gilbert for possible removal.
- Rerouting of Canal at Ray Road ~ SRP is in the process of procuring one acre of land required to make this canal modification. The design work will be completed prior to summer 2002. The actual construction will be completed by the fall of 2002, to coincide with the annual canal dry up south of the Salt River.
- Training Tower Removal ~ This training tower was removed in the fall of 2000.
- Revegetation Along New RS 18 Line ~ SRP has restored any vegetation damaged or destroyed along the RS 18 line as a result of the construction of the line.
- Dust Control Along Canals ~ SRP is in compliance with applicable PM-10 standards along SRP canal banks.
- Offsite Tree Planting ~ The off-site design plan has not been completed; therefore planting has not begun.

29. During the proceeding neighbors to the plant site raise significant concern about the impact of the plant expansion on residential property values. In performing each of the conditions in this order Applicant, in conjunction where applicable, with the Town of Gilbert and the plant site neighbors, shall consider and attempt to maximize the positive effect of its activities on the values of the homes in the surrounding neighborhoods.

Status ~ The emphasis of SRP satisfying this condition are the on-site and off-site landscaping plans. While plans are not complete, there are provisions for creating attractive landscaping with trees, shrubs and gabion and terrace walls on the berm. The following items have been implemented or are planned to also maximize the positive effect on the surrounding neighborhoods.

- There will be a specialty feature added directly across from Key Biscayne Drive which is an exit heavily used by the subdivision immediately north of the Santan site. This special area of emphasis is designed to focus viewers' attention on landscaped elements when approaching Warner Road from Key Biscayne Drive.
- SRP has completed the undergrounding of an irrigation lateral through Western Skies, which is the subdivision west of the Santan site. This action removed the open canal that crossed through the golf course and subdivision.
- The above ground distribution line along Warner Road is in the process of being relocated underground. During the early part of construction we identified that the placement of a cabinet would

1 *be in direct line of sight of cars approaching Warner on Key*
2 *Biscayne Drive. We modified the design and relocated the*
3 *cabinet to be less obtrusive to traffic exiting the subdivision.*

- 4 • *In response to a request by homeowners' associations adjacent*
5 *to the Santan Generating Station and then Mayor Dunham, SRP*
6 *has provided \$50,000 to the following four associations as*
7 *directed by the Mayor: Western Skies, Cottonwoods Crossing,*
8 *Finley Farms South, and Rancho Cimarron. In recognition of the*
9 *HOAs' desire to improve their community prior to the plant*
10 *expansion SRP disbursed these funds through the Town of*
11 *Gilbert to the HOAs in December of 2001.*
- 12 • *Residents of Cottonwoods Crossing who border the eastern*
13 *edge of the property have had structural and foundational*
14 *problems with their backyard walls. Although this problem is not*
15 *related to SRP, SRP is considering plans to rebuild and increase*
16 *the height of their backyard walls to eight feet.*

- 17 30. Applicant shall construct the auxiliary boiler stack at such height as may be
18 determined by air modeling requirements. Applicant shall situate the
19 auxiliary boiler stack so that it is not visible from off the plant site.

20 *Status ~ SRP will use an electric auxiliary boiler so no stack will be*
21 *necessary.*

- 22 31. Applicant will construct the heat recovery steam generators ("HRSG")
23 approximately 15 feet below grade and will construct the HRSGs so that the
24 overall height of the HRSG module from the natural grade is no more than
25 80 feet.

Status ~ The Architect/Engineer firm has not yet been selected;
however this condition will be incorporated in the design criteria for the
plant.

32. Applicant will complete the installation of the dry low NOX burners on the
existing units prior to the construction of the new units.

Status ~ Dry low NOx burners have been installed on the existing units
and are operational.

33. Applicant shall not transfer this Certificate to any other entity for a period of
20 years from the date of approval by the Corporation Commission, other
than as part of a financing transaction where operational responsibilities will
remain with Applicant, and where Applicant will continue to operate the plant
in accordance with this Certificate.

Status ~ SRP will maintain operational control and ownership of the plant throughout the plant's life. SRP will operate the plant in accordance with the Certificate of Environmental Compatibility.

34. Applicant shall post on its website, when its air quality permit application is submitted to the Maricopa County Environmental Services Department. Also, Applicant shall post on its website any official notice that may be required to be posted in newspapers for its air quality permit application.

Status ~ SRP submitted its air quality permit application on November 30, 2001. This date has been posted on www.santanfacts.org. An official notice was not required.

GRANTED this ____ day of February, 2001

ARIZONA POWER PLANT AND TRANSMISSION
LINE SITING COMMITTEE

By Paul A. Bullis
Its Chairman

BEFORE THE ARIZONA CORPORATION COMMISSION

In the matter of the Application of Salt
River Project Agricultural Improvement and
Power District in conformance with the
requirements of Arizona Revised Statutes
Sections 40-360-03 and 40-360.06, for a
Certificate of Environmental Compatibility
authorizing the Expansion of its Santan
Generating Station, located at the intersection
of Warner Road and Val Vista Drive,
in Gilbert, Arizona, by adding 825 megawatts
of new capacity in the form of three combined
cycle natural gas units, and associated
intraplant transmission lines.

Case No. 105

Docket No. L-00000B-00-0105

Decision No. _____

The Arizona Corporation Commission (Commission) has conducted its review, as prescribed by A.R.S. §40-360.07. Pursuant to A.R.S. §40-360.07(B), the Commission,

1 in compliance with A.R.S. §40-360.06, and in balancing the broad public interest, the
2 need for an adequate, economical and reliable supply of electric power with the desire
3 to minimize the effect thereof on the environment and ecology of the state;

4 The Commission finds and concludes that the Certificate of Environmental
5 Compatibility should be granted upon the additional and modified conditions stated
6 herein.

- 7 35. The Santan Expansion Project shall be required to meet the Lowest
8 Achievable Emission rate (LAER) for Carbon Monoxide (CO), Nitrogen
9 Oxides (Nox), Volatile Organic Carbons (VOCs), and particulate Matter
10 less than ten micron in aerodynamic diameter (PM10). The Santan
Expansion Project shall be required to submit an air quality permit
application requesting this LAER to the Maricopa County Environmental
Services Department.

11 ***Status ~ SRP submitted the Santan Expansion Project Air Quality***
12 ***Permit application to MCESD on November 30, 2001. The application***
13 ***contained a detailed LAER analysis for VOCs and PM10 as required by***
14 ***federal and county regulations. Since SRP will be implementing***
15 ***substantial onsite emission reductions for NOx and CO, the Santan***
16 ***Expansion Project will not be a major modification for these two***
17 ***pollutants. Since LAER is not a regulatory requirement for NOx and CO***
18 ***emissions, SRP submitted an abbreviated LAER analysis in its air***
19 ***permit application. In addition, SRP submitted a supplemental request***
20 ***to the County requesting that MCESD undertake its own LAER***
21 ***determination for NOx and CO. The LAER rates will be contained in the***
22 ***draft air quality permit, which will be available for public***
23 ***review/comment in summer 2002.***

- 24 36. Due to the plant's location in a non-attainment area, the Applicant shall not
25 use diesel fuel in the operation of any combustion turbine or heat recovery
steam generator located at the plant.

Status ~ Since the date of the ACC order for the SEP Certificate of
Environmental Compatibility, SRP has not burned diesel oil in the
existing Santan generating units. SRP will continue to comply with this
condition. The new generating units associated with the SEP will not
have oil burning capability.

SRP filed an Air Quality Permit on November 30, 2001 that included
some provisions which would have enabled the burning of diesel fuel
by the existing units if approved at some future time by the
Commission. These provisions were not intended to circumvent the
CEC process. Rather, SRP sought to preserve the Commission's

1 **authority to temporarily suspend the prohibition in an emergency**
2 **situation. Absent the appropriate air quality permit provisions, SRP**
3 **would be prohibited from burning diesel fuel under Federal law, even if**
4 **mandated by the ACC.**

5 **An open meeting has been scheduled by the Commission on February**
6 **13, 2002 to further discuss this issue.**

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10 37. In obtaining emissions reductions related to Carbon Monoxide (CO)
11 emissions, Applicant shall where technologically feasible obtain those
12 emission reductions onsite to the Santan Expansion Project.

13 **Status ~ SRP will be reducing CO emissions on site with combustion**
14 **enhancements (the DLN project) and oxidation catalysts. Maricopa**
15 **County is issuing a permit for the emissions reductions in January**
16 **2002. Generation Engineering is working on the design of the oxidation**
17 **catalysts.**

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19 38. Beginning upon commercial operation of the new units, Applicant shall
20 conduct a review of the Santan Generating facility operations and
21 equipment every five years and shall, within 120 days of completing such
22 review, file with the Commission and all parties in this docket, a report
23 listing all improvements which would reduce plant emissions and the costs
24 associated with each potential improvement. Commission Staff shall
25 review the report and issue its findings on the report, which will include an
economic feasibility study, to the Commission within 60 days of receipt.
Applicant shall install said improvements within 24 months of filing the
review with the Commission, absent an order from the Commission
directing otherwise.

Status ~ SRP will comply with the requirement for a review of
technology that will reduce plant emissions every 5 years after
commercial operation.

39. Applicant shall provide \$20,000 to the Pipeline Safety Revolving Fund on
an annual basis, thus improving the overall safety of pipelines throughout
the State of Arizona.

Status ~ SRP will make a payment to this fund later this spring.

40. Where feasible, Applicant shall strive to incorporate local and in-state
contractors in the construction of the three new generation units for the
expansion project.

Status ~ Every effort has been made to incorporate local contractors for
this project. Below is a list of some of the jobs completed or in
progress to date for the Santan Expansion Project.

- 1 • **Fuel Oil Tank Dike Relocation**
2 **Hunter Contracting Co.**
3 **701 N. Cooper Road**
4 **Gilbert, AZ 85299**
5 **Tel. 480-892-0512**
- 6 • **Trimming of Oleanders East Property**
7 **AAA Landscaping**
8 **3747 E. Southern Ave.**
9 **Phoenix, AZ**
10 **Tel: 602 437-2690**
- 11 • **Trimming of Oleanders West Property**
12 **AAA Landscaping**
13 **3747 E. Southern Ave.**
14 **Phoenix, AZ**
15 **Tel: 602 437-2690**
- 16 • **Removal of existing water pipeline from Warner Road.**
17 **SRP Southside Crew**
- 18 • **Removal of fire hydrants on east side of fuel oil tanks.**
19 **Hunter Contracting Co.**
20 **701 N. Cooper Road**
21 **Gilbert, AZ 85299**
22 **Tel. 480-892-0512**
- 23 • **North Property Fence Relocation and New Fencing for Gas**
24 **Metering Station**
25 **American Fence Inc.**
2502 North 27th Ave.
Phoenix, AZ 85009
Tel: 602 272-2333
- **Process Water Retention Ponds Feasibility Study and Design**
HDR Engineering, Inc.
2141 East Highland Avenue
Suite 250
Phoenix, AZ 85072-2025
Tel: 602 508-6600
- **Under Grounding Overhead Power Lines**
SRP crew installed underground conduits and pull boxes.
Pulling of cables, terminations and removal of overhead power
lines will be done by a local AZ contractor. As of the preparation
of this report the contractor had not yet been selected.
- **Aerial Mapping firm used to prepare contour map of the Santan**
Plant site.

Rupp Aerial Mapping, Inc.
740 E. Highland Ave #100
Phoenix, AZ 85014
Tel: 602 277-0439

41. Applicant shall construct a 10 foot high block wall surrounding the perimeter of the Santan plant, and appropriately landscape the area consistent with the surrounding neighborhood, unless otherwise agreed to by the Salt River Project and the Citizens Working Group.

Status ~ The CWG is aware of this condition and plans to incorporate a wall along portions of the perimeter, where it is deemed appropriate.

APPROVED AS AMENDED BY ORDER OF THE ARIZONA CORPORATION COMMISSION

Chairman

Commissioner

Commissioner

In Witness hereof, I, Brian C. McNeil,
Executive Secretary of the Arizona
Corporation Commission, set my hand
and cause the official seal of this
Commission to be affixed this ____ day
of _____, 2001.

By: _____

Brian C. McNeil
Executive Secretary

Dissent: _____

RELIABILITY MANAGEMENT SYSTEM AGREEMENT

by and between

WESTERN SYSTEMS COORDINATING COUNCIL

and

SALT RIVER PROJECT

THIS RELIABILITY MANAGEMENT SYSTEM AGREEMENT (the "Agreement") is entered into this 18th day of June, 1999, by and between the Western Systems Coordinating Council, Inc. (the "WSCC"), and Salt River Project (the "Transmission Operator"). The Transmission Operator enters into this Agreement (i) in its capacity as an operator of a Control Area and/or as an operator of transmission facilities and (ii) with respect to any generation which it Controls (as defined below).

WHEREAS, there is a need to maintain the reliability of the interconnected electric systems encompassed by the WSCC in a restructured and competitive electric utility industry;

WHEREAS, with the transition of the electric industry to a more competitive structure, it is desirable to have a uniform set of electric system operating rules within the Western Interconnection, applicable in a fair, comparable and non-discriminatory manner, with which all market participants comply; and

WHEREAS, the members of the WSCC, including the Transmission Operator, have determined that a contractual Reliability Management System based upon a set of mutual agreements between the WSCC and its Members provides a reasonable, currently available means of maintaining such reliability.

NOW, THEREFORE, in consideration of the mutual agreements contained herein, the agreements between other transmission operators and the WSCC, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the WSCC and the Transmission Operator agree as follows:

1. PURPOSE OF AGREEMENT

The purpose of this Agreement is to maintain the reliable operation of the Western Interconnection through the Transmission Operator's commitment to comply with certain reliability standards and, to the extent provided in this Agreement, to cause Generators to enter into commitments to comply with those standards.

2. DEFINITIONS

In addition to terms defined in the beginning of this Agreement and in the Recitals and Appendices hereto, for purposes of this Agreement the following terms shall have the meanings set forth beside them below.

Control or Controlled, when used in this Agreement to refer to generation facilities, means that a person has the right (whether through ownership, by contract, or otherwise) to cause the generation facilities to comply with the criteria applicable to generators contained in Annex A of the WSCC Reliability Criteria Agreement (other than as a result of entering into new or amended interconnection agreements in accordance with Section 5 of this Agreement); provided however, that a person shall not be deemed to Control a third party's generation facilities solely on the basis of providing control area services to the third party.

Control Area means an electric system or systems, bounded by interconnection metering and telemetry, capable of controlling generation to maintain its interchange schedule with other Control Areas and contributing to frequency regulation of the Western Interconnection.

FERC means the Federal Energy Regulatory Commission or a successor agency.

Generator means any entity (i) that Controls generating facilities interconnected with the transmission system of a Participating Transmission Operator or located within the Control Area of a Participating Transmission Operator, and (ii) that is a party to an interconnection agreement or is responsible for obtaining an interconnection agreement with a Participating Transmission Operator.

Member means any party to the WSCC Agreement.

NERC means the North American Electric Reliability Council or any successor entity.

Other RMS Agreement means an agreement between the WSCC and an operator (other than the Transmission Operator) of a Control Area or transmission facilities requiring such operator to comply with the reliability criteria contained in the WSCC Reliability Criteria Agreement.

Participating Transmission Operator means the Transmission Operator and any other transmission operator that has entered into an Other RMS Agreement.

Party means either the WSCC or the Transmission Operator and **Parties** means both of the WSCC and the Transmission Operator.

Reliability Management System or RMS means the contractual reliability management program implemented through this Agreement and through each of the Other RMS Agreements.

Western Interconnection means the area comprising those states and provinces, or portions thereof, in Western Canada, Northern Mexico and the Western United States in which Members of the WSCC operate synchronously connected transmission systems.

Working Day means Monday through Friday except for recognized legal holidays in the state or province in which any notice is received pursuant to Section 9.

WSCC means the Western Systems Coordinating Council or a successor entity.

WSCC Agreement means the Western Systems Coordinating Council Agreement dated March 20, 1967, as such may be amended from time to time.

WSCC Reliability Criteria Agreement means the Western Systems Coordinating Council Reliability Criteria Agreement dated June 18, 1999 among the WSCC and certain of its member transmission operators, as such may be amended from time to time.

WSCC Staff means those employees of the WSCC, including personnel hired by the WSCC on a contract basis, designated as responsible for the administration of the RMS.

WSCC Table 2 means the table maintained by the WSCC identifying those transfer paths monitored by the WSCC security coordinators. As of the date set out therein, the transmission paths identified in Table 2 are as listed in Attachment 1 of the WSCC Reliability Criteria Agreement.

3. TERM AND TERMINATION

3.1 Term. This Agreement shall become effective on the latest of:

- (a) thirty (30) days after the date of issuance of a final FERC order accepting the WSCC Reliability Criteria Agreement for filing without requiring any changes to the WSCC Reliability Criteria Agreement unacceptable to either Party; or
- (b) thirty (30) days after the date of issuance of a FERC order accepting any Other RMS Agreement for filing without requiring any changes to such Other RMS Agreement unacceptable to either Party. If FERC requires changes to such Other RMS Agreement which are acceptable to both Parties, the Parties agree to amend this Agreement to incorporate any such changes; or
- (c) the date of execution of this Agreement.

Changes required by FERC to the WSCC Reliability Criteria Agreement or to any Other RMS Agreement shall be deemed unacceptable to a Party only if that Party provides notice to the other Party, within fifteen (15) days of issuance of the applicable FERC order, that such changes are unacceptable, provided that if any other party to an Other RMS Agreement or the WSCC Reliability Criteria Agreement gives notice within the fifteen (15) day period to the WSCC that FERC-ordered changes to its Other RMS Agreement or to the WSCC Reliability Criteria Agreement are unacceptable, the WSCC shall promptly notify the Transmission Operator of such notice and in such case the Transmission Operator shall have until twenty-five (25) days after issuance of the applicable FERC order to give notice that such changes are unacceptable.

3.2 Termination by the Transmission Operator.

- (a) The Transmission Operator may terminate this Agreement:
 - (i) in the case of any amendment to the WSCC Reliability Criteria Agreement which would cause the Transmission Operator to comply with revised or new reliability criteria which would

adversely affect the Transmission Operator, on fifteen (15) days' written notice to the WSCC, provided that the notice of termination is given within forty-five (45) days of the date of issuance of a FERC order accepting such amendment for filing provided further that the forty-five (45) day period within which notice of termination is required may be extended by the Transmission Operator for an additional forty-five (45) days if the Transmission Operator gives written notice to WSCC of such requested extension within the initial forty-five (45) day period; or

- (ii) on thirty (30) days' written notice to the WSCC at such time that the Transmission Operator no longer operates a Control Area within the Western Interconnection or a transmission path in the WSCC Table 2; or
- (iii) on thirty (30) days' written notice to the WSCC if a transmission path operated by the Transmission Operator is added to WSCC Table 2 without the Transmission Operator's consent subsequent to the date of this Agreement, provided that such notice is given by the Transmission Operator to the WSCC within forty-five (45) days of notice to the Transmission Operator by the WSCC of the addition of such path to WSCC Table 2; or
- (iv) for any reason on one year's written notice to the WSCC.

- (b) For purposes of Section 3.2(a)(i), any change in the rating of a transmission path included in WSCC Table 2 shall not constitute an amendment to the WSCC Reliability Criteria Agreement or new or revise criteria.

3.3 Termination by the WSCC. The WSCC may terminate this Agreement for any reason on one year's written notice to the Transmission Operator.

3.4 Termination by Mutual Agreement. This Agreement may be terminated at any time by mutual agreement of the Parties.

3.5 Termination of the WSCC Reliability Criteria Agreement. This Agreement shall terminate upon termination of the WSCC Reliability Criteria Agreement.

3.6 Suspension. This Agreement and the obligations hereunder shall be suspended at any time that the WSCC Reliability Criteria Agreement is suspended; provided, however, that any such suspension shall be effective

only for such period as the WSCC Reliability Criteria Agreement is suspended, and any such suspension shall terminate, and this Agreement and the obligations hereunder shall become effective, immediately upon notice to the Transmission Operator by the WSCC of the termination of suspension of such agreement.

4. COMPLIANCE WITH AND AMENDMENT OF WSCC RELIABILITY CRITERIA

- 4.1 Compliance with Reliability Criteria.** The Transmission Operator agrees to comply with the requirements of the WSCC Reliability Criteria Agreement including the applicable WSCC reliability criteria contained in Section III and Section IV to Annex A thereof, and, in the event of failure to comply, agrees to be subject to the sanctions applicable to such failure. The Transmission Operator shall comply with such reliability criteria: (i) in its capacity as an operator of a Control Area and/or as an operator of transmission facilities; and (ii) with respect to generation which it Controls.
- 4.2 Amendment of WSCC Reliability Criteria Agreement.** All amendments to the WSCC Reliability Criteria Agreement shall be pursuant to Section 12 of the WSCC Reliability Criteria Agreement. Until this Agreement is terminated pursuant to Section 3, the Transmission Operator shall be subject to the WSCC Reliability Criteria Agreement, as modified pursuant to Section 12 of the WSCC Reliability Criteria Agreement, regardless of Transmission Operator's support for or challenge to any such modification.

5. INTERCONNECTION AGREEMENTS

- 5.1 New Interconnection Agreements.** The Transmission Operator agrees, except where precluded by law, to include in any new interconnection agreement that is executed by the Transmission Operator after the effective date of this Agreement with a Generator that Controls generating facilities located within the Transmission Operator's Control Area or interconnected directly with the Transmission Operator's transmission system provisions in the form of Appendix A or such other form as may be convenient provided that, except as provided in Section 5.7, such form binds the Generator to all of the obligations and agreements set out in Section 2 of Appendix A.
- 5.2 Existing Interconnection Agreements.**
- (a) With respect to a Generator that has an interconnection agreement with the Transmission Operator that is in effect prior to the effective date of this Agreement, the Transmission Operator agrees, to the

extent permitted under its existing interconnection agreement or where it otherwise has the legal right to do so, to enter into either: (i) an amendment to such existing interconnection agreement in the form set forth in Appendix A to this Agreement; (ii) a separate agreement with such Generator in the form set forth in Appendix B to this Agreement or (iii) such other amendment or agreement as may be convenient provided that such amendment or agreement, except as provided in Section 5.7, binds the Generator to all of the obligations and agreements set out in Section 2 of Appendix A or in Sections 3, 4, 5, and 6 of Appendix B.

- (b) The Transmission Operator agrees to undertake a good faith effort to enter into an amendment or separate agreement in the respective forms set forth in Appendix A or B to this Agreement or such other form as may be convenient provided that such form, except as provided in Section 5.7, binds the Generator to all of the obligations and agreements set out in Section 2 of Appendix A or in Sections 3, 4, 5, and 6 of Appendix B.. Good faith may be demonstrated by a written request to the Generator and documentation of the Generator's response.

5.3 Generators Without Interconnection Agreements. With respect to a generator that Controls generating facilities located within the Transmission Operator's Control Area that: (i) does not have an interconnection agreement with the Transmission Operator (e.g., a generator having facilities directly connected to another transmission owner within the Transmission Operator's Control Area); and (ii) is not otherwise obligated to comply with the WSCC Reliability Criteria Agreement, the Transmission Operator (if an operator of a Control Area) agrees to undertake a good faith effort to negotiate and execute a separate agreement with such generator in the form set forth in Appendix B to this Agreement or such other form as may be convenient provided that such form, except as provided in Section 5.7, binds the generator to all of the obligations and agreements set out in Sections 3, 4, 5, and 6 of Appendix B. Good faith may be demonstrated by a written request to the generator and documentation of the generator's response.

5.4 Sale of Controlled Generation. In any sale or transfer of generation which it Controls, the Transmission Operator shall require the acquiring party to enter into an agreement requiring such transferee to comply with the requirements of the WSCC Reliability Criteria Agreement as a Generator with respect to the transferred generation. Such agreement shall be in the form set forth in Appendix B to this Agreement or such other form as may be convenient provided that such form, except as provided in Section 5.7, binds the transferee to all of the obligations and agreements set out in Sections 3, 4, 5, and 6 of Appendix B.

- 5.5 Transfer of Control or Sale of Transmission Facilities.** In any sale or transfer of control of any transmission facilities subject to this Agreement, the Transmission Operator shall as a condition of such sale or transfer require the acquiring party or transferee to either assume the obligations of the Transmission Operator pursuant to this Agreement or to enter into an Other RMS Agreement with respect to the transferred facilities.
- 5.6 Single Agreement.** A Generator at its option may enter into a single agreement with any Participating Transmission Operator binding the Generator to comply with the requirements of the RMS with respect to all generation the Generator owns or controls within the Western Interconnection. Such agreement shall be in the form of Appendix B or such other form as may be convenient provided that such form binds the Generator to all of the obligations and agreements set out in Sections 3, 4, 5, and 6 of Appendix B. Written notice by the Generator to the Transmission Operator that the Generator has entered into and is bound by such agreement to comply with the requirements of the RMS shall suffice to discharge the Transmission Operator and the Generator from any obligation to enter into any separate agreement or amendment to any existing interconnection agreement pursuant to this Section 5.
- 5.7 Other Agreements.** Nothing in this Agreement shall be construed as prohibiting a Transmission Operator from imposing in any interconnection agreement, including the agreements provided for in this Section 5, such other reliability conditions which the Transmission Operator deems appropriate including the requirement that the Generator comply with any future reliability criteria adopted as part of the WSCC Reliability Criteria Agreement.

6. SANCTIONS

- 6.1 Payment of Monetary Sanctions.** The Transmission Operator shall be responsible for payment to the WSCC of any monetary sanction assessed against the Transmission Operator pursuant to this Agreement and the WSCC Reliability Criteria Agreement. Any such payment shall be made pursuant to the procedures specified in the WSCC Reliability Criteria Agreement.
- 6.2 Responsibility for Sanctions.** Sanctions shall be assessed against the Transmission Operator only for non-compliance by the Transmission Operator with the reliability criteria contained in the WSCC Reliability Criteria Agreement. The Transmission Operator will have the right to challenge such assessment as specified in the WSCC Reliability Criteria

Agreement. Sanctions for non-compliance with the reliability criteria by a Generator with whom the Transmission Operator has entered into an agreement pursuant to Section 5 shall be assessed by the WSCC directly against the Generator, and the Transmission Operator shall have no liability with respect to such sanctions.

- 6.3 Publication.** The Transmission Operator consents to the release by the WSCC of information related to the Transmission Operator's compliance with this Agreement only in accordance with the WSCC Reliability Criteria Agreement.

7. THIRD PARTIES

This Agreement creates contractual rights and obligations solely between the Parties. Nothing in this Agreement shall create between the Parties: (1) any obligation or liability whatsoever (other than as expressly provided in this Agreement), or (2) any duty or standard of care whatsoever. In addition, nothing in this Agreement shall create any duty, liability, or standard of care whatsoever as to any third party. No third party shall have any rights whatsoever with respect to enforcement of any provision of this Agreement.

8. REMEDIES

Each Party shall be entitled to seek specific performance of this Agreement including the payment of sanctions determined in accordance with this Agreement and the Reliability Criteria Agreement. Specific performance shall be the sole remedy available to either Party pursuant to this Agreement and the WSCC Reliability Criteria Agreement unless the WSCC Reliability Criteria Agreement specifically provides otherwise. In particular, neither Party shall be liable pursuant to this Agreement to the other Party for damages of any kind whatsoever (other than the payment of sanctions, if so construed) whether direct, compensatory, special, indirect, consequential, or punitive. No order for specific performance of this Agreement shall (i) require a Transmission Operator to construct or dedicate facilities for the benefit of any other person, or (ii) impair the ability of a Transmission Operator to take such action as it deems necessary to maintain reliable service to its customers or to fulfill its obligations to others.

9. NOTICES

Any notice, demand or request required or authorized by this Agreement to be given in writing to a Party shall be delivered by hand, courier or overnight delivery service, mailed by certified mail (return receipt requested) postage prepaid, faxed,

or delivered by mutually agreed electronic means to such Party at the following address:

WSCC: Executive Director
Western Systems Coordinating Council
University of Utah Research Park
540 Arapeen Drive, Suite 203
Salt Lake City, Utah 84108-1288

Fax: 801-582-3918

SRP: Associate General Manager
Salt River Project
P. O. Box 52025
Phoenix, Arizona 85072-2025

Fax: 602-236-2881

The designation of such person and/or address may be changed at any time by either Party upon receipt by the other of written notice. Such a notice served by mail shall be effective upon receipt. Notice transmitted by facsimile shall be effective upon receipt if received prior to 5:00 p.m. on a Working Day, and if not received prior to 5:00 p.m. on a Working Day, receipt shall be effective on the next Working Day.

10. APPLICABILITY

This Agreement (including all appendices hereto and, by reference, the WSCC Reliability Criteria Agreement) constitutes the entire understanding between the Parties hereto with respect to the subject matter hereof, supersedes any and all previous understandings between the Parties with respect to the subject matter hereof, and binds and inures to the benefit of the Parties and their successors.

11. AMENDMENT

No amendment of all or any part of this Agreement shall be valid unless it is reduced to writing and signed by both Parties hereto. The terms and conditions herein specified shall remain in effect throughout the term and shall not be subject to change through application to FERC or other governmental body or authority, absent the agreement of the Parties.

12. INTERPRETATION

Article and section headings are for convenience only and shall not affect the interpretation of this Agreement. References to articles, sections and appendices are, unless the context otherwise requires, references to articles, sections and appendices of this Agreement.

13. ASSIGNMENT


This Agreement may not be assigned by either Party, except that the Transmission Operator, upon notice to the WSCC, may assign: (i) this Agreement to any entity acquiring all or substantially all of the Transmission Operator's transmission assets (including an acquisition by merger or consolidation and whether to an affiliate or an unaffiliated party); (ii) the obligations of the Transmission Operator pursuant to this Agreement to a transferee with respect to any obligations assumed by the transferee by virtue of Section 5.5 of this Agreement; or (iii) to an independent system operator those obligations of the Transmission Operator pursuant to this Agreement which are assumed by the independent system operator.

14. COUNTERPARTS

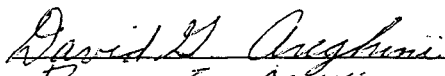
This Agreement may be executed in counterparts and each shall have the same force and effect as an original.

IN WITNESS WHEREOF, the WSCC and the Transmission Operator have each caused this Reliability Management System Agreement to be executed by their respective duly authorized officers as of the date first above written.

WESTERN SYSTEMS COORDINATING COUNCIL

By: 
Name: Jack E. Davis
Title: Chairman

SALT RIVER PROJECT

By: 
Name: DAVID G. ARGHINI
Title: ASSOCIATE GENERAL MANAGER

APPENDIX A

EXISTING INTERCONNECTION AGREEMENT AMENDMENT AND LANGUAGE FOR INCLUSION IN NEW INTERCONNECTION AGREEMENTS

1. Definitions:

Add the following definitions to Section __:

- __ **Member:** Any party to the WSCC Agreement.
- __ **Reliability Management System or RMS:** The contractual reliability management program implemented through the WSCC Reliability Criteria Agreement, Section 2 of this Agreement, and any similar contractual arrangement.
- __ **Western Interconnection:** The area comprising those states and provinces, or portions thereof, in Western Canada, Northern Mexico and the Western United States in which Members of the WSCC operate synchronously connected transmission systems.
- __ **WSCC:** The Western Systems Coordinating Council or any successor entity.
- __ **WSCC Agreement:** The Western Systems Coordinating Council Agreement dated March 20, 1967, as such may be amended from time to time.
- __ **WSCC Reliability Criteria Agreement:** The Western Systems Coordinating Council Reliability Criteria Agreement dated _____, 1999 among the WSCC and certain of its member transmission operators, as such may be amended from time to time.
- __ **WSCC Staff:** Those employees of the WSCC, including personnel hired by the WSCC on a contract basis, designated as responsible for the administration of the RMS.

2. Add new Section [2] to agreement:

2 Reliability Management System

2.1 Purpose: In order to maintain the reliable operation of the transmission grid, the WSCC Reliability Criteria Agreement sets forth reliability criteria adopted by the WSCC to which [Generator] and [Transmission Operator] shall be required to comply.

2.2 Compliance: [Generator] shall comply with the requirements of the WSCC Reliability Criteria Agreement, including the applicable WSCC reliability criteria set forth in Section IV of Annex A thereof, and, in the event of failure to comply, agrees to be subject to the sanctions applicable to such failure. Such sanctions shall be assessed pursuant to the procedures contained in the WSCC Reliability Criteria Agreement. Each and all of the provisions of the WSCC Reliability Criteria Agreement are hereby incorporated by reference into this Section 2 as though set forth fully herein, and [Generator] shall for all purposes be considered a Participant, and shall be entitled to all of the rights and privileges and be subject to all of the obligations of a Participant, under and in connection with the WSCC Reliability Criteria Agreement, including but not limited to the rights, privileges and obligations set forth in Sections 5, 6 and 10 of the WSCC Reliability Criteria Agreement.

2.3 Payment of Sanctions: [Generator] shall be responsible for payment of any monetary sanction assessed against [Generator] by WSCC pursuant to the WSCC Reliability Criteria Agreement. Any such payment shall be made pursuant to the procedures specified in the WSCC Reliability Criteria Agreement.

2.4 Transfer of Control or Sale of Generation Facilities. In any sale or transfer of control of any generation facilities subject to this Agreement, [Generator] shall as a condition of such sale or transfer require the acquiring party or transferee with respect to the transferred facilities either to assume the obligations of the [Generator] with respect to this Agreement or to enter into an agreement with the Transmission Operator imposing on the acquiring party or transferee the same obligations applicable to [Generator] pursuant to this Section 2.

2.5 Publication: The [Generator] consents to the release by the WSCC of information related to the [Generator]'s compliance with this Agreement only in accordance with the WSCC Reliability Criteria Agreement..

2.6 Third Parties. Except for the rights and obligations between the WSCC and [Generator] specified in this Section 2, this Agreement creates contractual rights and obligations solely between the Parties. Nothing in this Agreement shall create, as between the Parties or with respect to the WSCC: (1) any obligation or liability whatsoever (other than as expressly provided in this Agreement), or (2) any duty or standard of care whatsoever. In addition, nothing in this Agreement shall create any duty, liability, or standard of care whatsoever as to

any other party. Except for the rights, as a third-party beneficiary under this Section 2, of the WSCC against [Generator], no third party shall have any rights whatsoever with respect to enforcement of any provision of this Agreement. [Transmission Operator] and [Generator] expressly intend that the WSCC is a third-party beneficiary to this Section 2, and the WSCC shall have the right to seek to enforce against [Generator] any provision of this Section 2, provided that specific performance shall be the sole remedy available to the WSCC pursuant to Section 2 of this Agreement, and [Generator] shall not be liable to the WSCC pursuant to this Agreement for damages of any kind whatsoever (other than the payment of sanctions to the WSCC, if so construed), whether direct, compensatory, special, indirect, consequential, or punitive.

2.7 Reserved Rights. Nothing in the RMS or the WSCC Reliability Criteria Agreement shall affect the right of the Transmission Operator, subject to any necessary regulatory approval, to take such other measures to maintain reliability, including disconnection, which the Transmission Operator may otherwise be entitled to take.

2.8 Severability. If one or more provisions of this Section 2 shall be invalid, illegal or unenforceable in any respect, it shall be given effect to the extent permitted by applicable law, and such invalidity, illegality or unenforceability shall not affect the validity of the other provisions of this Agreement.

2.9 Termination. The [Generator] may terminate its obligations pursuant to this Section 2:

(a) if after the effective date of this Section 2, the requirements of the WSCC Reliability Criteria Agreement applicable to [Generator] are amended so as to adversely affect the [Generator], provided that [Generator] gives fifteen (15) days' notice of such termination to the Transmission Operator and the WSCC within forty-five (45) days of the date of issuance of a FERC order accepting such amendment for filing, provided further that the forty-five (45) day period within which notice of termination is required may be extended by the [Generator] for an additional forty-five (45) days if the [Generator] gives written notice to the Transmission Operator of such requested extension within the initial forty-five (45) day period; or

(b) for any reason on one year's written notice to the Transmission Operator and the WSCC.

2.10 Mutual Agreement. This Section 2 may be terminated at any time by mutual agreement of the Transmission Operator and [Generator].

APPENDIX B

MODEL STAND-ALONE GENERATOR AGREEMENT

[Contract to be entered into between the Transmission Operator and a Generator]

RELIABILITY MANAGEMENT SYSTEM AGREEMENT

by and between

[TRANSMISSION OPERATOR]

and

[GENERATOR]

THIS RELIABILITY MANAGEMENT SYSTEM AGREEMENT
(the "Agreement"), is entered into this ____ day of _____, 1999, by and
between _____ (the "Transmission Operator") and
_____ (the "Generator").

WHEREAS, there is a need to maintain the reliability of the
interconnected electric systems encompassed by the WSCC in a restructured and
competitive electric utility industry;

WHEREAS, with the transition of the electric industry to a more
competitive structure, it is desirable to have a uniform set of electric system
operating rules within the Western Interconnection, applicable in a fair, comparable
and non-discriminatory manner, with which all market participants comply; and

WHEREAS, the members of the WSCC, including the Transmission Operator, have determined that a contractual Reliability Management System provides a reasonable, currently available means of maintaining such reliability.

NOW, THEREFORE, in consideration of the mutual agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Transmission Operator and the Generator agree as follows:

1. PURPOSE OF AGREEMENT

The purpose of this Agreement is to maintain the reliable operation of the Western Interconnection through the Generator's commitment to comply with certain reliability standards.

2. DEFINITIONS

In addition to terms defined in the beginning of this Agreement and in the Recitals hereto, for purposes of this Agreement the following terms shall have the meanings set forth beside them below.

Control Area means an electric system or systems, bounded by interconnection metering and telemetry, capable of controlling generation to maintain its interchange schedule with other Control Areas and contributing to frequency regulation of the Western Interconnection.

FERC means the Federal Energy Regulatory Commission or a successor agency.

Member means any party to the WSCC Agreement.

Party means either the Generator or the Transmission Operator and
Parties means both of the Generator and the Transmission Operator.

Reliability Management System or **RMS** means the contractual reliability management program implemented through the WSCC Reliability Criteria Agreement, the WSCC RMS Agreement, this Agreement, and any similar contractual arrangement.

Western Interconnection means the area comprising those states and provinces, or portions thereof, in Western Canada, Northern Mexico and the Western United States in which Members of the WSCC operate synchronously connected transmission systems.

Working Day means Monday through Friday except for recognized legal holidays in the state in which any notice is received pursuant to Section 7.

WSCC means the Western Systems Coordinating Council or a successor entity.

WSCC Agreement means the Western Systems Coordinating Council Agreement dated March 20, 1967, as such may be amended from time to time.

WSCC Reliability Criteria Agreement means the Western Systems Coordinating Council Reliability Criteria Agreement dated _____, 1999 among the WSCC and certain of its member transmission operators, as such may be amended from time to time.

WSCC RMS Agreement means an agreement between the WSCC and the Transmission Operator requiring the Transmission Operator to comply with the reliability criteria contained in the WSCC Reliability Criteria Agreement.

WSCC Staff means those employees of the WSCC, including personnel hired by the WSCC on a contract basis, designated as responsible for the administration of the RMS.

3. TERM AND TERMINATION

3.1 Term. This Agreement shall become effective on the later of:

- (a) the date of execution; or
- (b) the effective date of the WSCC RMS Agreement.

3.2 Notice of Termination of WSCC RMS Agreement. The Transmission Operator shall give the Generator notice of any notice of termination of the WSCC RMS Agreement by the WSCC or by the Transmission Operator within fifteen (15) days of receipt by the WSCC or the Transmission Operator of such notice of termination.

3.3 Termination by the Generator. The Generator may terminate this Agreement as follows:

- (a) following the termination of the WSCC RMS Agreement for any reason by the WSCC or by the Transmission Operator, provided such notice is

provided within forty-five (45) days of the termination of the WSCC RMS Agreement;

- (b) following the effective date of an amendment to the requirements of the WSCC Reliability Criteria Agreement that adversely affects the Generator, provided notice of such termination is given within forty-five (45) days of the date of issuance of a FERC order accepting such amendment for filing, provided further that the forty-five (45) day period within which notice of termination is required may be extended by the Generator for an additional forty-five (45) days if the Generator gives written notice to the Transmission Operator of such requested extension within the initial forty-five (45) day period; or
- (c) for any reason on one year's written notice to the Transmission Operator and the WSCC.

3.4 Termination by the Transmission Operator. The Transmission Operator may terminate this Agreement on thirty (30) days' written notice following the termination of the WSCC RMS Agreement for any reason by the WSCC or by the Transmission Operator, provided such notice is provided within thirty (30) days of the termination of the WSCC RMS Agreement.

3.5 Mutual Agreement. This Agreement may be terminated at any time by the mutual agreement of the Transmission Operator and the Generator.

4. COMPLIANCE WITH AND AMENDMENT OF WSCC RELIABILITY CRITERIA

4.1 Compliance with Reliability Criteria. The Generator agrees to comply with the requirements of the WSCC Reliability Criteria Agreement, including the applicable WSCC reliability criteria contained in Section IV of Annex A thereof, and, in the event of failure to comply, agrees to be subject to the sanctions applicable to such failure. Each and all of the provisions of the WSCC Reliability Criteria Agreement are hereby incorporated by reference into this Agreement as though set forth fully herein, and the Generator shall for all purposes be considered a Participant, and shall be entitled to all of the rights and privileges and be subject to all of the obligations of a Participant, under and in connection with the WSCC Reliability Criteria Agreement, including but not limited to the rights, privileges and obligations set forth in Sections 5, 6 and 10 of the WSCC Reliability Criteria Agreement.

4.2 Modifications to WSCC Reliability Criteria Agreement. The Transmission Operator shall notify the Generator within fifteen (15) days of the receipt of notice from the WSCC of the initiation of any WSCC process to

modify the WSCC Reliability Criteria Agreement. The WSCC RMS Agreement specifies that such process shall comply with the procedures, rules, and regulations then applicable to the WSCC for modifications to reliability criteria.

- 4.3 **Notice of Modifications to WSCC Reliability Criteria Agreement.** If, following the process specified in Section 4.2, any modification to the WSCC Reliability Criteria Agreement is to take effect, the Transmission Operator shall provide notice to the Generator at least forty-five (45) days before such modification is scheduled to take effect.
- 4.4 **Effective Date.** Any modification to the WSCC Reliability Criteria Agreement shall take effect on the date specified by FERC in an order accepting such modification for filing.
- 4.5 **Transfer of Control or Sale of Generation Facilities.** In any sale or transfer of control of any generation facilities subject to this Agreement, the Generator shall as a condition of such sale or transfer require the acquiring party or transferee with respect to the transferred facilities either to assume the obligations of the Generator with respect to this Agreement or to enter into an agreement with the Control Area Operator in substantially the form of this Agreement.

5. SANCTIONS

- 5.1 **Payment of Monetary Sanctions.** The Generator shall be responsible for payment directly to the WSCC of any monetary sanction assessed against the Generator pursuant to this Agreement and the WSCC Reliability Criteria Agreement. Any such payment shall be made pursuant to the procedures specified in the WSCC Reliability Criteria Agreement.
- 5.2 **Publication.** The Generator consents to the release by the WSCC of information related to the Generator's compliance with this Agreement only in accordance with the WSCC Reliability Criteria Agreement.
- 5.3 **Reserved Rights.** Nothing in the RMS or the WSCC Reliability Criteria Agreement shall affect the right of the Transmission Operator, subject to any necessary regulatory approval, to take such other measures to maintain reliability, including disconnection, which the Transmission Operator may otherwise be entitled to take.

6. THIRD PARTIES

Except for the rights and obligations between the WSCC and Generator specified in Sections 4 and 5, this Agreement creates contractual rights and obligations solely between the Parties. Nothing in this Agreement shall create, as between the Parties or with respect to the WSCC: (1) any obligation or liability whatsoever (other than as expressly provided in this Agreement), or (2) any duty or standard of care whatsoever. In addition, nothing in this Agreement shall create any duty, liability, or standard of care whatsoever as to any other party. Except for the rights, as a third-party beneficiary with respect to Sections 4 and 5, of the WSCC against Generator, no third party shall have any rights whatsoever with respect to enforcement of any provision of this Agreement. Transmission Operator and Generator expressly intend that the WSCC is a third-party beneficiary to this Agreement, and the WSCC shall have the right to seek to enforce against Generator any provisions of Sections 4 and 5, provided that specific performance shall be the sole remedy available to the WSCC pursuant to this Agreement, and Generator shall not be liable to the WSCC pursuant to this Agreement for damages of any kind whatsoever (other than the payment of sanctions to the WSCC, if so construed), whether direct, compensatory, special, indirect, consequential, or punitive.

7. NOTICES

Any notice, demand or request required or authorized by this Agreement to be given in writing to a Party shall be delivered by hand, courier or overnight delivery service, mailed by certified mail (return receipt requested) postage prepaid, faxed, or delivered by mutually agreed electronic means to such Party at the following address:

_____: _____

Fax: _____

_____: _____

Fax: _____

The designation of such person and/or address may be changed at any time by either Party upon receipt by the other of written notice. Such a notice served by mail shall be effective upon receipt. Notice transmitted by facsimile shall be effective upon receipt if received prior to 5:00 p.m. on a Working Day, and if not received prior to 5:00 p.m. on a Working Day, receipt shall be effective on the next Working Day.

8. APPLICABILITY

This Agreement (including all appendices hereto and, by reference, the WSCC Reliability Criteria Agreement) constitutes the entire understanding between the Parties hereto with respect to the subject matter hereof, supersedes any and all previous understandings between the Parties with respect to the subject matter hereof, and binds and inures to the benefit of the Parties and their successors.

9. AMENDMENT

No amendment of all or any part of this Agreement shall be valid unless it is reduced to writing and signed by both Parties hereto. The terms and conditions herein specified shall remain in effect throughout the term and shall not be subject to change through application to the FERC or other governmental body or authority, absent the agreement of the Parties.

10. INTERPRETATION

Interpretation and performance of this Agreement shall be in accordance with, and shall be controlled by, the laws of the State of _____ but without giving effect to the provisions thereof relating to conflicts of law. Article and section headings are for convenience only and shall not affect the interpretation of this Agreement. References to articles, sections and appendices are, unless the context otherwise requires, references to articles, sections and appendices of this Agreement.

11. PROHIBITION ON ASSIGNMENT

This Agreement may not be assigned by either Party without the consent of the other Party, which consent shall not be unreasonably withheld; provided that the Generator may without the consent of the WSCC assign the obligations of the Generator pursuant to this Agreement to a transferee with respect to any obligations assumed by the transferee by virtue of Section 4.5 of this Agreement.

12. SEVERABILITY

If one or more provisions herein shall be invalid, illegal or unenforceable in any respect, it shall be given effect to the extent permitted by applicable law, and such invalidity, illegality or unenforceability shall not affect the validity of the other provisions of this Agreement.

13. COUNTERPARTS

This Agreement may be executed in counterparts and each shall have the same force and effect as an original.

IN WITNESS WHEREOF, the Transmission Operator and the Generator have each caused this Reliability Management System Agreement to be executed by their respective duly authorized officers as of the date first above written.

By:

Name:

Title:

By:

Name:

Title:

WESTERN SYSTEMS COORDINATING COUNCIL RELIABILITY CRITERIA AGREEMENT

THIS WESTERN SYSTEMS COORDINATING COUNCIL RELIABILITY CRITERIA AGREEMENT (the "Reliability Agreement"), is entered into this 18th day of June, 1999, among the Western Systems Coordinating Council, Inc. (the "WSCC"), and its member Transmission Operators (the "Participating Transmission Operators") (collectively, the "Parties").

WHEREAS, there is a need to maintain the reliability of the interconnected electric systems encompassed by the WSCC in a restructured and competitive electric utility industry;

WHEREAS, with the transition of the electric industry to a more competitive structure, it is desirable to have a uniform set of electric system operating rules within the Western Interconnection, applicable in a fair, comparable and non-discriminatory manner, with which all market participants comply; and

WHEREAS, the members of the WSCC, including the Participating Transmission Operators, have determined that a contractual Reliability Management System provides a reasonable, currently available means of maintaining such reliability.

NOW, THEREFORE, in consideration of the mutual agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the WSCC and the Participating Transmission Operators agree as follows:

1. PURPOSE OF AGREEMENT

The purpose of this Reliability Agreement is to set forth certain reliability standards with which Participating Transmission Operators and Generators will agree to comply through separately executed agreements under the WSCC Reliability Management System.

2. DEFINITIONS

In addition to terms defined in the beginning of this Reliability Agreement and in the Recitals and Appendices hereto, for purposes of this Reliability Agreement the following terms shall have the meanings set forth beside them below.

Affiliate of an entity, solely for purposes of Sections 5 and 6 of this Agreement, means any entity which: (1) is (a) a subsidiary of such entity or (b) any partnership, limited liability company or joint venture or other form of entity which acts commercially in which such entity or any subsidiary thereof is directly or indirectly a partner, member or venturer; or (2) directly or indirectly controls, is controlled by, or is under common control with such entity, including any limited partnership of which such other entity or any Affiliate thereof is the general partner. For purposes of this Agreement, a ten (10) percent or greater ownership interest shall be deemed to constitute a rebuttable presumption of "control." An entity controlled by or operating as a unit, agency, or subdivision of a local, state, or provincial government or the federal government shall not be considered an Affiliate of any other entity controlled by or operating as a unit, agency, or subdivision of the local, state or provincial government, or the federal government.

Control or Controlled, when used in this Reliability Agreement to refer to generation facilities, means that a person has the right (whether through ownership, by contract, or otherwise) to cause the generation facilities to comply with the criteria applicable to generators contained in Annex A hereto (other than as a result of entering into new or amended interconnection agreements in accordance with Section 5 of a WSCC RMS Agreement); provided however, that a person shall not be deemed to Control a third party's generation facilities solely on the basis of providing control area services to the third party.

Control Area means an electric system or systems, bounded by interconnection metering and telemetry, capable of controlling generation to maintain its interchange schedule with other Control Areas and contributing to frequency regulation of the Western Interconnection.

FERC means the Federal Energy Regulatory Commission or a successor agency.

Generator means any entity: (i) that Controls generating facilities directly interconnected with the transmission system of a Participating Transmission Operator or located within the Control Area of a Participating Transmission Operator; and (ii) that is a party to an interconnection agreement or is responsible for obtaining an interconnection agreement with a Participating Transmission Operator.

Generator RMS Agreement means any agreement other than a WSCC RMS Agreement obligating a Generator to comply with this Reliability Agreement.

Member means any party to the WSCC Agreement.

Municipal Utility means a city, county, irrigation district, drainage district, or other political subdivision or agency of a state which sells electric energy or which owns or operates electric power transmission facilities which are used for the sale of electric energy, including but not limited to a municipal utility district, public utility district, people's utility district, metropolitan water district, or a public power district.

NERC means the North American Electric Reliability Council or any successor entity.

Participant means a Transmission Operator that is a party to a WSCC RMS Agreement or a Generator that is a party to a Generator RMS Agreement.

Reliability Compliance Committee or **RCC** means the committee established by the WSCC pursuant to the WSCC RMS Agreements.

Reliability Management System or **RMS** means the contractual reliability management program implemented through this Reliability Agreement, through each of the WSCC RMS Agreements and through each of the Generator RMS Agreements.

Reserve Sharing Group means a group whose members include two or more Control Areas that collectively maintain, allocate, and supply operating reserves required for each Control Area's use in recovering from contingencies within the group.

Security Coordinator means the entity designated as such under the NERC Security Coordinator Procedures.

Transmission Operator means an operator of a Control Area within the Western Interconnection or transmission facilities.

Western Interconnection means the area comprising those states and provinces, or portions thereof, in Western Canada, Northern Mexico and the Western United States in which Members of the WSCC operate synchronously connected transmission systems.

WSCC means the Western Systems Coordinating Council or a successor entity.

WSCC RMS Agreement means any agreement between the WSCC and a Transmission Operator requiring the Transmission Operator to comply with this Reliability Agreement.

WSCC Staff means those employees of the WSCC, including personnel hired by the WSCC on a contract basis, designated as responsible for the administration of the RMS.

3. TERM AND TERMINATION

- 3.1 Term.** This Reliability Agreement shall become effective thirty (30) days after the date of issuance of a final FERC order accepting the Reliability Agreement for filing without requiring any changes to the Reliability Agreement unacceptable to the WSCC. This Reliability Agreement shall remain in effect until terminated pursuant to Section 3.2.
- 3.2 Termination by WSCC.** WSCC may terminate this Reliability Agreement (i) as provided for in Section 13 or (ii) for any reason on one year's written notice to all Participants.
- 3.3 Termination by Participating Transmission Operator.** The termination by a Participating Transmission Operator of the WSCC RMS Agreement requiring the Participating Transmission Operator to comply with this Reliability Agreement shall act as a termination of this Agreement with respect to such Participating Transmission Operator.
- 3.4 Suspension.** If at any time the WSCC determines that it is unable to carry out its obligations pursuant to this Reliability Agreement because of the lack of funding, this Reliability Agreement shall be suspended and any determination of non-compliance which is not yet final as of such date shall be withdrawn. At such time that the WSCC determines that it is able to resume its obligations pursuant to this Reliability Agreement, the WSCC shall promptly provide notice to each Participant that such suspension has been terminated. During the period of suspension each Participant shall have no obligation, including reporting, pursuant to this Reliability Agreement. If this Reliability Agreement remains suspended for a period of more than two years, this Reliability Agreement shall be terminated as of the first day of the third year following the date of suspension.

4. RELIABILITY CRITERIA

- 4.1 Obligations of Participant.** Annex A attached to this Reliability Agreement sets forth the reliability criteria and data collection requirements to which each Participant agrees to comply in its applicable WSCC RMS Agreement or Generator RMS Agreement. The contractual obligation of a Participating Transmission Operator to comply with the reliability standards and data collection requirements shall be established through a separate WSCC RMS Agreement between the WSCC and the Participating

Transmission Operator. The contractual obligation of a Generator to comply with the reliability standards and data collection requirements shall be established through a separate Generator RMS Agreement. Each WSCC RMS Agreement and each Generator RMS Agreement shall incorporate by reference this Reliability Agreement, including the reliability criteria and data collection requirements contained in Annex A hereto. This Reliability Agreement imposes obligations only on a Transmission Operator or a Generator that is a party to a WSCC RMS Agreement that is in effect and has not been terminated or a Generator RMS Agreement that is in effect and has not been terminated.

- 4.2 Development of Criteria.** All reliability criteria, including, but not limited to, all transmission path transfer capability limits (including operational transfer capability) and ratings developed and implemented in connection with the WSCC Reliability Management System, shall be developed and implemented pursuant to standard, objective technical assessments. Transmission path transfer capability limits shall reflect different limits under different operating conditions (e.g., seasonal flow, load variations, simultaneous transfers) using internally consistent assumptions.

5. DETERMINATION OF COMPLIANCE

5.1 Reliability Compliance Committee.

- a.** The WSCC shall form a seven-member Reliability Compliance Committee ("RCC"). The members of the RCC shall be appointed by the WSCC Board of Trustees. The WSCC Board of Trustees shall solicit, through an open, publicly noticed process, nominations from each of the following industry sectors: (1) major transmission owners, (2) transmission dependent utilities, (3) independent power producers, (4) electric power marketers, (5) state, provincial, or local regulatory bodies, (6) control area and independent system operators, and (7) Municipal Utilities. From nominations submitted by representatives of each such industry sector, the WSCC Board of Trustees shall appoint one RCC member and one alternate RCC member for each of the seven industry sectors. The WSCC Board of Trustees shall endeavor, to the extent practical, to appoint members to the RCC reflecting the geographical and functional diversity of the WSCC membership and so as to include both public and privately owned entities. The WSCC Board of Trustees shall further endeavor, to the extent practical, to appoint no more than three RCC members at any one time who could qualify as representatives of the same industry sector (e.g., to avoid situations such as where the representatives for sectors (1), (2), (6), and (7) are all from control area operators). Members of the RCC shall serve three-year terms (except that two of

the first seven members of the RCC shall serve one-year terms, and two of the first seven members of the RCC shall serve two-year terms, in each case as determined by the WSCC Board of Trustees). At no time shall the members and alternate members of the RCC include more than one employee, director or officer of any one entity or Affiliate thereof. If the WSCC authorizes a new class of voting membership for the WSCC, the WSCC Board of Trustees may add an additional member as representative to the RCC from such class.

- b. The RCC shall adopt a set of bylaws to become effective as of the effective date of this Reliability Agreement, or as soon thereafter as is practicable, which bylaws shall be approved by the WSCC Board of Trustees. Such bylaws shall, among other matters, provide for the following:
 - (i) A quorum equal to the majority of all members of the RCC plus one must be present for a vote on matters brought before the RCC.
 - (ii) A majority of all RCC members shall be required for RCC action.
 - (iii) Each member of the RCC will be responsible for all costs of participation in the RCC, except that any regulatory body representative shall be reimbursed by the WSCC for all out-of-pocket costs. RCC members will receive no compensation from the WSCC for service on the RCC.
 - (iv) Each member shall comply with the confidentiality provisions applicable to the WSCC Staff as set forth in Section 5.2(d) of this Reliability Agreement.
 - (v) If an RCC member fails to perform the tasks assigned to him or her under the RMS, he or she may be removed by a two-thirds vote of the WSCC Board of Trustees and a new member shall be selected in accordance with Section 5.1(a) to serve out the unexpired portion of the member's term.
 - (vi) The RCC shall elect a Chair and Vice-Chair from among the members of the RCC. The Chair and Vice-Chair shall serve one-year terms.
 - (vii) The process for selection of RCC members and alternate RCC members shall comply with Section 5.1(a) of this Reliability Agreement.

(viii) The RCC may elect to meet by telephone conference call.

- c. In addition to the responsibilities specified in this Section 5, the RCC shall periodically review the implementation of the RMS and make recommendations to the WSCC Board of Trustees for suggested modifications to the RMS.

5.2 Data Submission and Review.

- a. Each Participant (or its designated agent) shall submit to the WSCC Staff the data as specified in Annex A to this Reliability Agreement. A Participant shall notify WSCC Staff of such designation prior to having the agent submit any data on behalf of the Participant. If a Participant (or its designated agent) fails to supply such data within ten (10) days of the date specified in Annex A, the WSCC Staff shall notify the Participant, and if the Participant (or its designated agent) fails to supply such data within ten (10) days of the receipt of such notice, the WSCC Staff shall send a letter to the Participant's Chief Executive Officer informing the Participant of the failure to comply with the data submission requirements of Annex A with copies to NERC, Participant's WSCC Council Representative (if the Participant is a member of the WSCC), and Participant's WSCC Operations Committee Representative (if the Participant is a member of the WSCC). For the Participant's second or subsequent failure to submit data during a rolling six-month period, the WSCC Staff shall send additional copies of such letter to the Chairman of the Board of the Participant (if different from Chief Executive Officer), state or provincial regulatory agencies with jurisdiction over the Participant, and in the case of U.S. entities, FERC, and the Department of Energy.
- b. All data submitted pursuant to Annex A shall be reviewed initially by the WSCC Staff. WSCC Staff may request the submission of reasonable supplemental or additional data or information. If the WSCC Staff determines that the Participant may not have complied with any of the criteria specified in Annex A, it shall so notify the Participant, and the Participant shall have thirty (30) days from such notice, or a mutually agreeable extension thereof, to provide additional or corrected data (including information which pursuant to Section VI of Annex A would excuse the action or inaction of the Participant) to demonstrate that there was compliance.
- c. If the WSCC Staff determines that data from a Participant are relevant to the consideration of compliance by another Participant with the reliability criteria contained in Annex A, the WSCC Staff shall so notify the Participant, and the Participant shall have thirty

(30) days from such notice, or a mutually agreeable extension thereof, to provide the requested data. A Participant may also request the WSCC Staff to request from another Participant data relevant to the requesting Participant's compliance; however, such a request shall not relieve the Participant of any obligations to provide requested data.

- d. (i) Except as otherwise provided in Section 5.2(a) and Section II of Annex A and Sections 5.2(d)(ii), (iii) and (iv) below, the WSCC Staff (1) shall treat as confidential all data and information submitted to the WSCC Staff by a Participant under this Reliability Agreement, (2) shall not, without the providing Participant's prior written consent, disclose to any third party confidential data or information provided by a Participant under this Reliability Agreement, and (3) shall make good faith efforts to protect each Participant's confidential data and information from inadvertent disclosure. For purposes of this Reliability Agreement, no member of the RCC nor any arbitrator engaged pursuant to Section 6.3 of this Reliability Agreement shall be deemed a third party so long as such person has agreed in writing to be bound by the confidentiality obligations applicable to the WSCC Staff under this Reliability Agreement.
- (ii) Any data or information provided to the WSCC Staff by a Participant under this Reliability Agreement that is published or publicly available (so long as the publication or public availability is not the result of action or inaction by the WSCC Staff or the breach of any confidentiality obligation) shall not be deemed confidential for purposes of this Reliability Agreement; provided, however, that no such data or information shall be considered to be publicly available merely by virtue of the fact that such data or information has been provided by, or concerns, a Participant that is a Municipal Utility or other government entity. In addition, at the request of any governmental or regulatory authority having jurisdiction over the applicable Participant, the WSCC Staff may, without breaching its confidentiality obligations under this Reliability Agreement, disclose to the requesting governmental or regulatory authority the following information (in either aggregate form or in a form that specifically identifies the Participant): (1) whether the Participant has been finally determined, in accordance with the procedures set forth in this Reliability Agreement, to have failed to comply with any of the criteria specified in Annex A during the time period to which the request relates; (2) if the Participant has been finally determined to have failed to comply, which of the criteria specified in Annex A were not

complied with as well as the number of occurrences and level of the noncompliance (as identified in the table in Section II of Annex A); and (3) the type of sanction and the amount of any monetary sanction(s) assessed against the Participant and the amounts paid or remaining unpaid. The WSCC shall give the Participant notice of such disclosure. The WSCC Staff or the RCC may also provide the information described in items (1) - (3) of this Section 5.2(d)(ii) to any member of the Board of Trustees of the WSCC, provided that such recipient has undertaken to be bound by the confidentiality obligations applicable to the RCC and WSCC Staff under this Reliability Agreement or has otherwise agreed not to voluntarily disclose such information.

- (iii) If the WSCC is requested or required, by subpoena, oral deposition, interrogatory, request for production of documents, administrative order, or other legal or regulatory process, to disclose any confidential data or information of a Participant, the WSCC Staff shall immediately notify the providing Participant in writing so that the Participant may, if it so chooses and at its own expense, challenge the disclosure or seek an appropriate protective order. The WSCC Staff shall reasonably cooperate, at the requesting Participant's expense, with any Participant's efforts to limit or avoid disclosure of the Participant's confidential data or information and to preserve the confidentiality of any confidential data or information that is ultimately required to be disclosed. To the extent that the WSCC Staff has complied with the preceding provisions of this Section 5.2(d)(iii), the WSCC shall not be deemed to have violated its confidentiality obligations under this Reliability Agreement as a result of disclosing a Participant's confidential data or information to a third party pursuant to a subpoena, oral deposition, interrogatory, request for production of documents, administrative order, or other legal or regulatory process.
- (iv) In the case of an appeal to FERC or to a court pursuant to Section 6.6 or 6.7 of this Reliability Agreement, the WSCC Staff may provide FERC or the court with a copy of the record assembled by the RCC and the arbitrator or in the case of a direct appeal to a court without arbitration the report provided by the WSCC Staff to the RCC and the data and information provided by the Participant and by other Participants to the WSCC Staff, provided that the WSCC Staff shall provide advance notice to any Participant whose confidential data or

information may be so disclosed to FERC or to a court in order to allow such Participant to seek an appropriate protective order.

- (v) Nothing in this Section 5.2(d) shall limit the right of WSCC Staff or the RCC to make publicly available aggregate statistics or information on an unidentified basis concerning implementation of and compliance with the RMS.

5.3 Initial Determination. If, following review of the data or information, if any, submitted pursuant to Section 5.2(b) or Section 5.2(c), the WSCC Staff makes an initial determination that a Participant has failed to comply with any of the criteria specified in Annex A to this Reliability Agreement (an "Initial Determination"), the WSCC Staff shall so notify the Participant setting out the details of such non-compliance and indicating the sanction which would be assessed as specified in Annex A.

5.4 RCC Review of Non-Compliance.

- a. Within fifteen (15) days of receipt of notification of an Initial Determination by the WSCC Staff pursuant to Section 5.3, a Participant may request that the RCC review the WSCC Staff's Initial Determination. Such request shall be in writing and shall include such additional data and information as the Participant deems relevant. Following such a request, the WSCC Staff shall prepare and submit a report to the RCC setting out its Initial Determination and the reasons for such determination, with a copy to the Participant. Such report shall include all information and data submitted by the Participant and by other Participants. If a review is not requested, the Initial Determination shall become a final determination fifteen (15) days after receipt of notification and the sanction shall be imposed.
- b. The RCC shall perform an independent review and provide a determination to the Participant within thirty (30) days of the request for review. Such review shall be based solely on the report provided by the WSCC Staff and on the data and information provided by the Participant and by other Participants to the WSCC Staff. The RCC in its determination (the "RCC Determination") may either sustain the Initial Determination or, if it does not sustain the Initial Determination, substitute its own judgment regarding compliance. No member of the RCC shall participate in the review unless (i) the member has agreed in writing to be bound by the confidentiality obligations applicable to the WSCC Staff or (ii) the Participant consents to the member's participation.

- c. If neither the Participant, nor the WSCC, initiates review procedures pursuant to Section 6 within fifteen (15) days after receipt of notification from the RCC of the RCC Determination, the RCC Determination shall become a final determination fifteen (15) days after receipt of notification and the sanction shall be imposed.
- d. If any member of the RCC is an employee, director or officer of the Participant or any Affiliate thereof, that member shall not participate in such review and the alternate member for his or her industry segment shall consider the alleged violation.

6. REVIEW OF RCC DETERMINATION

6.1 Review of RCC Determination. Either the WSCC or a Participant ("Disputing Participant") may seek review of an RCC Determination by invoking the arbitration provision of this Section 6, and, except where participation by a Participant in arbitration is prohibited by law, the other party shall be obligated to participate in such arbitration; provided that the WSCC and the Disputing Participant may by mutual agreement refer any dispute directly to the appropriate court in accordance with Section 6.7. If participation of a Participant in arbitration is prohibited by law, the WSCC or the Disputing Participant may seek review of any RCC Determination by FERC in accordance with Section 6.6 or by the appropriate court in accordance with Section 6.7. Any review of an RCC determination initiated by the WSCC pursuant to this Section 6.1 must be authorized by the WSCC Board of Trustees.

6.2 Initiation of RCC Determination Review Process. Any RCC Determination review process under this Section 6 must be initiated within fifteen (15) days after receipt of notification from the RCC pursuant to Section 5.4(b).

6.3 Arbitration Process.

- (a) Within fifteen (15) days of submission of any dispute related to a determination of non-compliance with a reliability criterion and the assessment of a sanction for arbitration, the WSCC and the Disputing Participant shall select a single arbitrator. If the WSCC and the Disputing Participant are unable to agree on an arbitrator, they shall select an arbitrator from a list of qualified arbitrators maintained by the WSCC. Each Participant may submit one name of an arbitrator to be included on such list, and the WSCC shall name one arbitrator to the list for each two arbitrators named by Participants. All arbitrators included on such list shall be knowledgeable with respect to control

area operations. The WSCC and the Disputing Participant shall select the arbitrator from such list by (a) agreement, or in the absence of agreement, by (b) striking names from the list in turn (beginning with the party requesting arbitration) until only the selected arbitrator remains. The arbitrator selected shall not be an employee, director or officer of either the WSCC or the Disputing Participant or any Affiliate thereof. Potential arbitrators who are employees, directors or officers of Members of the WSCC, but who are not themselves officers of the WSCC or members or alternate members of the RCC, shall not be considered to be employees, directors or officers of the WSCC. The arbitrator shall agree in writing to be bound by the confidentiality obligations applicable to the WSCC Staff under this Reliability Agreement.

- (b) The arbitrator shall provide each of the WSCC Staff and the Disputing Participant an opportunity to be heard and, except as otherwise provided herein, shall generally conduct the arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association. The WSCC shall submit to the arbitrator the report provided by the WSCC Staff to the RCC and the data and information provided by the Participant and by other Participants to the WSCC Staff. WSCC and the Disputing Participant shall be afforded a reasonable opportunity to rebut any such evidence. The arbitrator shall create and maintain an evidentiary record of sufficient detail to enable the FERC to render an informed decision on any appeal pursuant to Section 6.6. During the arbitration process, the WSCC and the Disputing Participant shall make funds available to the arbitrator as required by the arbitrator to pursue the arbitration. Such funds shall be shared equally by the WSCC and the Disputing Participant, and at the conclusion of the arbitration shall be reimbursed as specified in Section 6.5.
- (c) In any arbitration either the WSCC or the Disputing Participant may raise any issue regarding the sanction determination, including the factual basis for the sanction or whether the procedures specified in this Reliability Agreement were properly followed. Neither the WSCC nor the Disputing Participant, however, may dispute the validity of the reliability criteria in Annex A.
- (d) If an arbitrator hearing a dispute between the WSCC and the Disputing Participant determines that data from another Participant are relevant to the consideration of such dispute, the arbitrator shall so notify such other Participant, and such other Participant shall have fifteen (15) days, or a mutually agreeable extension thereof, to provide the requested data.

- 6.4 Award.** As soon as practicable, but no later than ninety (90) days after initial selection of the arbitrator, the arbitrator shall issue to the WSCC and the Disputing Participant a written decision resolving the dispute and explaining the basis for the conclusion. Such decision shall include findings of fact to support the arbitrator's conclusion. Such decision shall have no precedential effect with respect to any other dispute under the RMS. Such decision shall be final and binding on the parties, except if such decision is appealed to FERC pursuant to Section 6.6 or to the appropriate court pursuant to Section 6.7. Nothing herein shall preclude either the WSCC or the Disputing Participant from appealing an arbitration decision to the extent permitted under the Federal Arbitration Act, 9 U.S.C. §§ 2-16 (1994).
- 6.5 Compliance and Costs.** Unless the WSCC or the Disputing Participant appeals the decision pursuant to Section 6.6 or Section 6.7 within fifteen (15) days of receipt of the arbitrator's decision, the WSCC and the Disputing Participant shall take all actions necessary to implement the decision. If neither the WSCC nor the Disputing Party appeals the decision pursuant to Section 6.6 or Section 6.7 within such fifteen (15) day period, the decision shall be considered a final determination for purposes of Section 7. Any and all costs associated with the arbitration (not including attorney and expert witness fees which shall be borne by the respective parties) shall be borne by the party whose arbitration position was not selected by the arbitrator, unless the WSCC and the Disputing Participant agree to an alternative method of allocating costs. If the arbitration decision differs from the positions of both the WSCC and the Disputing Participant, the arbitrator shall specify how the costs are to be allocated. Such cost allocation shall include reimbursement of any funds provided to the arbitrator by the WSCC and the Disputing Participant pursuant to Section 6.3. Payment of any such costs shall be due at the same time any monetary sanctions would be due pursuant to Section 7. Any costs paid after such due date shall be paid with interest from the date the arbitrator's decision (such interest to be calculated in accordance with the methodology specified for interest on refunds in the FERC's regulations at 18 C.F.R. § 35.19(a)(2)(iii)).
- 6.6 FERC Appeal.** Either the WSCC or the Disputing Participant may apply to the FERC to hear an appeal of any arbitrator's decision. Such an appeal shall be filed at FERC within fifteen (15) days of the arbitrator's decision. The WSCC and the Disputing Participant agree that in any appeal to the FERC the WSCC or the Disputing Participant may raise any issues raised in the arbitration or RCC proceeding, including the factual basis for the sanction or whether the procedures specified in this Reliability Agreement were properly followed. Neither the WSCC nor the Disputing Participant, however, may raise issues regarding the validity of the reliability criteria in Annex A. Any appeal from an arbitrator's decision to the FERC shall be

based solely upon the record assembled by the arbitrator, unless otherwise determined by FERC. A decision of FERC resolving or rejecting such appeal shall be a final determination for purposes of Section 7. All costs incurred by each of the WSCC and the Disputing Participant in connection with such an appeal to FERC shall be solely the responsibility of the party that incurred such costs. Any initiation of a FERC appeal by the WSCC pursuant to this Section 6.6 must be authorized by the WSCC Board of Trustees.

- 6.7 Court Appeal.** If the Disputing Participant is not subject to FERC jurisdiction, or if FERC declines to assert jurisdiction over the dispute, either the WSCC or the Disputing Party may appeal an arbitrator's decision to the appropriate court. Any initiation of any court appeal by the WSCC pursuant to this Section 6.7 must be authorized by the WSCC Board of Trustees.

7. SANCTIONS AND COSTS

- 7.1 Payment of Monetary Sanctions.** A Participant shall be responsible for payment to the WSCC of any monetary sanction assessed against the Participant pursuant to Section 5. Payment of any monetary sanction shall be due within thirty (30) days of the date of any final determination pursuant to Section 5, or, if the review procedures of Section 6 are invoked, a final determination pursuant to Section 6. Any monetary sanction paid after such due date shall be paid with interest from the date the Initial Determination (such interest to be calculated in accordance with the methodology specified for interest on refunds in the FERC's regulations at 18 C.F.R. § 35.19(a)(2)(iii)).
- 7.2 Costs of Administering RMS.** Moneys collected by the WSCC through monetary sanctions shall be applied directly against the costs of administering the RMS. Any remaining costs shall be recovered in accordance with and pursuant to Article VIII (or any successor provision) of the WSCC Agreement. If in any calendar year moneys collected by the WSCC through monetary sanctions exceed the costs of administering the RMS, any such excess amounts shall be rebated to Members that are Participants to offset their costs of compliance, such rebates to be allocated among such participating Members pursuant to the dues allocation methodology specified in Article VIII (or any successor provision) of the WSCC Agreement or otherwise as determined by the WSCC Board of Trustees. A Member that has been assessed a monetary sanction pursuant to this Reliability Agreement and that has failed to pay such sanction within the time period specified in the Reliability Agreement shall not be eligible for such rebates.

8. THIRD PARTIES

This Reliability Agreement creates contractual rights and obligations solely between the WSCC, on the one hand, and each Participant, on the other hand. Nothing in this Reliability Agreement shall create, between or among any Parties: (1) any obligation or liability whatsoever (other than as expressly provided in this Reliability Agreement), or (2) any duty or standard of care whatsoever. In addition, nothing in this Reliability Agreement shall create any duty, liability, or standard of care whatsoever as to any third party. No third party shall have any rights whatsoever with respect to enforcement of any provision of this Reliability Agreement. Each Participant shall have rights with respect to the enforcement of this Reliability Agreement only against the WSCC and not against any other Participant.

9. REGULATORY APPROVALS

This Reliability Agreement shall be filed with FERC by the WSCC on behalf of and as agent for each FERC-jurisdictional Participating Transmission Operator pursuant to the Federal Power Act. In such filing, the WSCC shall request that FERC accept this Reliability Agreement for filing without modification to become effective thirty days after the date of issuance of a FERC order accepting this Reliability Agreement for filing.

10. REMEDIES.

Each Party shall be entitled to seek specific performance of this Reliability Agreement including the payment of sanctions determined in accordance with this Reliability Agreement. Specific performance shall be the sole remedy available to any Party pursuant to this Reliability Agreement unless this Reliability Agreement specifically provides otherwise. In particular, no Party shall be liable pursuant to this Reliability Agreement to any other Party for damages of any kind whatsoever (other than the payment of sanctions to WSCC, if so construed) whether direct, compensatory, special, indirect consequential, or punitive. No order for specific performance of this Agreement shall (i) require a Participant to construct or dedicate facilities for the benefit of any other person, or (ii) impair the ability of a Participant to take such action as it deems necessary to maintain reliable service to its customers or to fulfill its obligations to others.

11. NOTICES

Any notice, demand or request required or authorized by this Reliability Agreement to be given in writing to a Party shall be delivered pursuant to the applicable WSCC RMS Agreement.

12. AUTHORIZED REPRESENTATIVES

Each Participant Transmission Operator shall provide written notice to the WSCC of the designation of a representative authorized by it to act for such Party in the administration of this Reliability Agreement. Such written notice shall be given in accord with Section 11 hereof. Any Party may change its authorized representative by a subsequent notice. Authorized representatives may take any action called for by this Reliability Agreement, except for amendment, and such action shall bind the Party for whom it is taken.

13. AMENDMENT TO THIS AGREEMENT

- 13.1 Amendment.** Except as permitted pursuant to Sections 13.2, 13.3, and 13.4, the terms and conditions herein specified shall remain in effect throughout the term and shall not be subject to change through application to FERC or other governmental body or authority, absent the agreement of the Parties. Each Participating Transmission Operator that is subject to FERC jurisdiction and that supports an amendment to this Agreement (as evidenced by a certificate of concurrence) developed through the process specified in Sections 13.2, 13.3, and 13.4, consents to WSCC's filing with FERC on behalf of and as agent for such Participating Transmission Operator any amendment to this Reliability Agreement permitted pursuant to Sections 13.2, 13.3, and 13.4 and shall provide, within twenty (20) days of WSCC's request, written support for such a filing.
- 13.2 Amendment of Agreement.** All amendments to this Reliability Agreement shall be pursuant to this Section 13.2 and Sections 13.3 and 13.4. The WSCC shall notify the Participants of the initiation of any WSCC process to amend this Reliability Agreement, to amend any of the reliability criteria contained herein, to add additional reliability criteria, or to amend the sanctions herein. Such process shall: (a) provide for at least a thirty (30) day period for consideration of the proposed amendment prior to its adoption; (b) afford each Participant with a reasonable opportunity to participate in such proceeding; and (c) otherwise comply with the written procedures, rules, and regulations then applicable to the WSCC for amendments to reliability criteria.

- 13.3 Filing of Amendment.** If, following the process specified in Section 13.2, any amendment is adopted by the WSCC to this Reliability Agreement, the WSCC shall file such modification to this Reliability Agreement with FERC on behalf of the FERC-jurisdictional Parties who support the modification. Any person (including Participants that do not support the modification) may challenge such a filing at FERC.
- 13.4 Effective Date.** Unless otherwise provided, any amendment to this Reliability Agreement shall take effect thirty (30) days after the date of an order issued by FERC accepting such amendment for filing. The WSCC shall give each Participant prompt notice of the issuance of any such order.

14. JURISDICTION OVER WSCC

By entering into this Reliability Agreement and agreeing to perform the tasks set forth herein, WSCC does not agree to become a public utility subject to the jurisdiction of FERC. If, at any time, FERC issues an order asserting jurisdiction over the WSCC as a public utility under this Reliability Agreement, the Parties agree to attempt in good faith to renegotiate the terms of this Reliability Agreement to eliminate such FERC jurisdiction over the WSCC. If the Parties are unable to agree on the necessary revisions to this Reliability Agreement within sixty (60) days of such FERC order, WSCC may terminate this Reliability Agreement on thirty (30) days' written notice to all Parties.

15. INTERPRETATION

Article and section headings are for convenience only and shall not affect the interpretation of this Reliability Agreement. References to articles, sections and appendices are, unless the context otherwise requires, references to articles, sections and appendices of this Reliability Agreement.

16. WSCC AUTHORIZATION

This Reliability Agreement is subject to the WSCC Board of Trustees having authorized the WSCC to enter into this Reliability Agreement, and the obligations of the Participants pursuant to this Reliability Agreement are subject to the WSCC Board of Trustees and the RCC carrying out their respective duties pursuant to Section 5 of this Reliability Agreement.

17. COUNTERPARTS

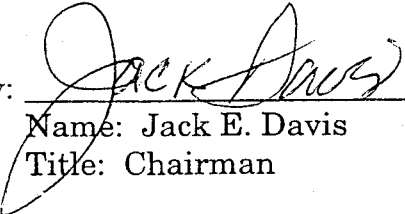
This Reliability Agreement may be executed in counterparts and each shall have the same force and effect as an original.

18. NOTIFICATION REGARDING FERC ORDERS AND OTHER ACTIONS

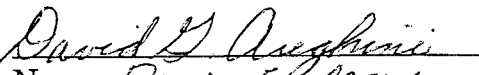
- 18.1 Notices of Orders and Decisions.** Any Participant receiving notice of any order or other action by FERC or any other regulatory or governmental body affecting this Reliability Agreement, a Generator RMS Agreement, or a WSCC RMS Agreement shall promptly provide WSCC by e-mail or other electronic means a copy of such order or decision.
- 18.2 Posting.** Within five (5) days of receipt, the WSCC Staff shall post on its web site and shall notify all Participants of such posting by e-mail of the following: (i) any order or decision received pursuant to Section 18.1, (ii) any order or other action by FERC or any other regulatory or governmental body affecting this Reliability Agreement, a Generator RMS Agreement, or a WSCC RMS Agreement received directly by the WSCC, and (iii) any notice of termination received or given by the WSCC pursuant to this Reliability Agreement, a Generator RMS Agreement, or a WSCC RMS Agreement. Each Participant shall provide the WSCC with at least one e-mail address for such notification.

IN WITNESS WHEREOF, the WSCC and the Participating Transmission Operators have each caused this Reliability Agreement to be executed by their respective duly authorized officers as of the date first above written.

WESTERN SYSTEMS COORDINATING COUNCIL

By: 
Name: Jack E. Davis
Title: Chairman

SALT RIVER PROJECT

By: 
Name: DAVID G. AREGHINI
Title: ASSOCIATE GENERAL MANAGER

ANNEX A

Reliability Criteria, Data Reporting Requirements, Compliance Standards, and Sanctions for Non-Compliance

I. DEFINITIONS

Unless the context requires otherwise, all capitalized terms shall have the meanings assigned in the Reliability Agreement and as set out below:

Area Control Error or ACE means the instantaneous difference between net actual and scheduled interchange, taking into account the effects of Frequency Bias including correction for meter error.

Automatic Generation Control or AGC means equipment that automatically adjusts a Control Area's generation from a central location to maintain its interchange schedule plus Frequency Bias.

Average Generation means the total MWh generated within the Control Area Operator's Control Area during the prior year divided by 8760 hours (8784 hours if the prior year had 366 days).

Business Day means any day other than Saturday, Sunday, or a legal public holiday as designated in section 6103 of title 5, U.S. Code.

Disturbance means (i) any perturbation to the electric system, or (ii) the unexpected change in ACE that is caused by the sudden loss of generation or interruption of load.

Extraordinary Contingency shall have the meaning set out in Section VI.B.4(c).

Frequency Bias means a value, usually given in megawatts per 0.1 Hertz, associated with a Control Area that relates the difference between scheduled and actual frequency to the amount of generation required to correct the difference.

Frequency Error means the difference between actual system frequency and the scheduled system frequency.

Generating Unit Capability means the MVA nameplate rating of a generator.

Nonspinning Reserve means that Operating Reserve not connected to the system but capable of serving demand within a specified time, or interruptible load that can be removed from the system in a specified time.

Normal Path Rating is the maximum path rating in MW that has been demonstrated to WSCC through study results or actual operation, whichever is greater. For a path with transfer capability limits that vary seasonally, it is the maximum of all the seasonal values.

Operating Reserve means that capability above firm system demand required to provide for regulation, load-forecasting error, equipment forced and scheduled outages and local area protection. Operating Reserve consists of Spinning Reserve and Nonspinning Reserve.

Operating Transfer Capability Limit or OTC means the maximum value of the most critical system operating parameter(s) which meets: (a) precontingency criteria as determined by equipment loading capability and acceptable voltage conditions, (b) transient criteria as determined by equipment loading capability and acceptable voltage conditions, (c) transient performance criteria, and (d) postcontingency loading and voltage criteria.

Spinning Reserve means unloaded generation which is synchronized and ready to serve additional demand. It consists of Regulating reserve and Contingency reserve (as each are described in Section III.A.2).

WSCC Table 2 means the table maintained by the WSCC identifying those transfer paths monitored by the WSCC regional security coordinators. As of the date set out therein, the transmission paths identified in Table 2 are as listed in Attachment 1 to this Reliability Agreement.

II. ASSESSMENT OF SANCTIONS

Sanctions for non-compliance with respect to each criterion in Sections III, IV, and V shall be assessed pursuant to the following table, except that in the case of non-compliance with the criterion of Section III.B (Disturbance Control), the sanctions set out in Section III.B shall apply in lieu of monetary sanctions. All monetary sanctions shall also include sending of Letter (B).

Level of Non-Compliance	Number of Occurrences at a Given Level within Specified Period			
	1	2	3	4 or more
Level 1	Letter (A)	Letter (B)	Higher of \$1,000 or \$1 per MW of Sanction Measure	Higher of \$2,000 or \$2 per MW of Sanction Measure
Level 2	Letter (B)	Higher of \$1,000 or \$1 per MW of Sanction Measure	Higher of \$2,000 or \$2 per MW of Sanction Measure	Higher of \$4,000 or \$4 per MW of Sanction Measure
Level 3	Higher of \$1,000 or \$1 per MW of Sanction Measure	Higher of \$2,000 or \$2 per MW of Sanction Measure	Higher of \$4,000 or \$4 per MW of Sanction Measure	Higher of \$6,000 or \$6 per MW of Sanction Measure
Level 4	Higher of \$2,000 or \$2 per MW of Sanction Measure	Higher of \$4,000 or \$4 per MW of Sanction Measure	Higher of \$6,000 or \$6 per MW of Sanction Measure	Higher of \$10,000 or \$10 per MW of Sanction Measure

Letter (A): Letter to Participant's Chief Executive Officer informing Participant of noncompliance with copies to NERC, WSCC Council Representative, and WSCC Operations Committee Representative.

Letter (B): Identical to Letter (A), with additional copies to (i) Chairman of the Board of Participant (if different from Chief Executive Officer), and to (ii) state or provincial regulatory agencies with jurisdiction over Participant, and, in the case of U.S. entities, FERC, and Department of Energy, if such government entities request such information.

The "Specified Period" and the "Sanction Measure" are as specified below for each criterion.

Sanctions shall be assessed for all instances of non-compliance within a Specified Period. For example, if a Participant had two instances of Level 1 non-compliance and one instance of Level 3 non-compliance for a specific criterion in the first Specified Period, it would be assessed the sanction from Column 2 of the Level 1 row, and the sanction from Column 1 of the Level 3 row.

If the Participant fails to comply with a given criterion for two or more consecutive Specified Periods, the sanctions assessed at each level of noncompliance for the most recent Specified Period shall be the sanction specified in the column immediately to the right of the indicated sanction. For example, if a Participant fails to comply with a given criterion for two consecutive Specified Periods, and in the second Specified Period the Participant has one instance of Level 1 non-compliance and two instances of Level 3 non-compliance, it would be assessed the sanction from Column 2 of the Level 1 row, and the sanction from Column 3 of the Level 3 row. If the sanction assessed at the highest level is the sanction in Column 4, no such modification of the specified sanction shall occur.

III. RELIABILITY CRITERIA APPLICABLE TO CONTROL AREA OPERATORS

A. Operating Reserves

1. Participants Subject to Criterion

- a.** This criterion applies to each Participant that is an operator of a Control Area or a member of a Reserve Sharing Group. A Participant that is an operator of a Control Area and a member of a Reserve Sharing Group is subject to this criterion only as described in Section III.A.1.b.
- b.** Participants that are members of a Reserve Sharing Group must designate in writing to WSCC a Participant to act as agent for purposes of this criterion for each Reserve Sharing Group. Such Reserve Sharing Group agents shall be responsible for all data submission requirements under Section III.A of this Reliability Agreement. Unless a Reserve Sharing Group agent identifies individual Participants responsible for noncompliance at the time of data submission, sanctions for noncompliance shall be assessed against the agent on behalf of the Reserve Sharing Group, and it shall be the responsibility of the members of the Reserve Sharing Group to allocate responsibility for such noncompliance.

2. WSCC Criterion

The reliable operation of the interconnected power system requires that adequate generating capacity be available at all times to maintain scheduled frequency and avoid loss of firm load following transmission or generation contingencies. This generating capacity is necessary to:

- supply requirements for load variations.
- replace generating capacity and energy lost due to forced outages of generation or transmission equipment.
- meet on-demand obligations.
- replace energy lost due to curtailment of interruptible imports.

a. **Minimum Operating Reserve.** Each Control Area shall maintain minimum Operating Reserve which is the sum of the following:

- (i) **Regulating reserve.** Sufficient Spinning Reserve, immediately responsive to Automatic Generation Control (AGC) to provide sufficient regulating margin to allow the Control Area to meet NERC's Control Performance Criteria (see Section III.C and III.D in this Annex A).

Plus (ii) **Contingency reserve.** An amount of Spinning Reserve and Nonspinning Reserve (at least half of which must be Spinning Reserve), sufficient to reduce Area Control Error (ACE) to zero within ten minutes, equal to the greater of:

- (a) The loss of generating capacity due to forced outages of generation or transmission equipment that would result from the most severe single contingency; or

- (b) The sum of five percent of the load responsibility served by hydro generation and seven percent of the load responsibility served by thermal generation.

The combined unit ramp rate of each Control Area's on-line, unloaded generating capacity must be capable of responding to the Spinning Reserve requirement of that control area within ten minutes.

Plus (iii) **Additional reserve for interruptible imports.** An amount of reserve, which can be made effective within ten minutes, equal to interruptible imports.

Plus (iv) **Additional reserve for on-demand obligations.** An amount of reserve, which can be made effective within ten minutes, equal to on-demand obligations to other entities or Control Areas.

b. Acceptable types of Nonspinning Reserve.

The Nonspinning Reserve obligations identified in subsections a(ii), a(iii), and a(iv), if any, can be met by use of the following:

- (i) interruptible load;
- (ii) interruptible exports;
- (iii) on-demand rights from other entities or Control Areas;
- (iv) Spinning Reserve in excess of requirements in subsections a(i) and a(ii); or
- (v) off-line generation which qualifies as Nonspinning Reserve.

c. Knowledge of Operating Reserve. Operating Reserves shall be calculated such that the amount

available which can be fully activated in the next ten minutes will be known at all times.

- d. **Restoration of Operating Reserve.** After the occurrence of any event necessitating the use of Operating Reserve, that reserve shall be restored as promptly as practicable. The time taken to restore reserves shall not exceed 60 minutes.

3. Data Reporting Requirement

By no later than 5:00 p.m. Mountain Time on the first Business Day following the day on which an instance of non-compliance occurs (or such other date specified in Form A.1(a)), the Participants identified in Section III.A.1 shall submit to the WSCC office Operating Reserve data in Form A.1(a) (available on the WSCC web site) for each such instance of non-compliance. On or before the tenth day of each calendar quarter (or such other date specified in Form A.1(b)), the Participants identified in Section III.A.1 (including Participants with no reported instances of non-compliance) shall submit to the WSCC office a completed Operating Reserve summary compliance Form A.1(b) (available on the WSCC web site) for the immediately preceding calendar quarter.

4. Compliance Standard

Except within the first 60 minutes following an event requiring the activation of Operating Reserves, a Participant identified in Section III.A.1 must maintain 100% of required Operating Reserve levels based upon data averaged over each clock hour. Following every event requiring the activation of Operating Reserves, a Participant identified in Section III.A.1 must re-establish the required Operating Reserve levels within 60 minutes.

5. Non-Compliance Levels

Level 1: One instance during a calendar month in which the Control Area's or the Reserve Sharing Group's Operating Reserve is less than 100% but greater than or equal to 90% of the required Operating Reserve.

Level 2: One instance during a calendar month in which the Control Area's or the Reserve Sharing Group's Operating

Reserve is less than 90% but greater than or equal to 80% of the required Operating Reserve.

Level 3: One instance during a calendar month in which the Control Area's or the Reserve Sharing Group's Operating Reserve is less than 80% but greater than or equal to 70% of the required Operating Reserve.

Level 4: One instance during a calendar month in which the Control Area's or the Reserve Sharing Group's Operating Reserve is less than 70% of the required Operating Reserve.

6. Sanctions

For purposes of applying the sanctions specified in Section II for violations of this criterion, the "Sanction Measure" is Average Generation and the "Specified Period" is the most recent calendar month.

B. Disturbance Control

1. Participants Subject to Criterion

- a.** This criterion applies to each Participant that is an operator of a Control Area or a member of a Reserve Sharing Group. A Participant that is an operator of a Control Area and a member of a Reserve Sharing Group is subject to this criterion only as described in Section III.B.1.b.
- b.** Participants that are members of a Reserve Sharing Group must designate in writing to WSCC a Participant to act as agent for purposes of this criterion for each Reserve Sharing Group. Such Reserve Sharing Group agents shall be responsible for all data submission requirements under Section III.B of this Reliability Agreement. Unless a Reserve Sharing Group agent identifies individual Participants responsible for noncompliance at the time of data submission, sanctions for noncompliance shall be assessed against the agent on behalf of the Reserve Sharing Group, and it shall be the responsibility of the members of the Reserve Sharing Group to allocate responsibility for such noncompliance.

2. WSCC Criterion

The Area Control Error (ACE) must return either to zero or to its predisturbance level within ten minutes following the start of the Disturbance.

3. Data Reporting Requirement

On or before the fifth day of each month (or such other date specified in Form A.2), the Participants identified in Section III.B.1 shall submit to the WSCC office Disturbance Control Standard data in Form A.2 (available on the WSCC web site) for the immediately preceding month.

4. Compliance Standard

A Participant identified in Section III.B.1 must meet the Disturbance Control Standard specified in Section III.B.2 following all Disturbances. Compliance with the Disturbance Control Standard ("DCS") shall be measured on a percentage basis as set forth in the NERC Performance Standard Training Document.

5. Non-Compliance Levels

Level 1: One instance during a calendar quarter in which the Control Area's or Reserve Sharing Group's value of DCS is less than 100% but greater than or equal to 95%.

Level 2: One instance during a calendar quarter in which the Control Area's or Reserve Sharing Group's value of DCS is less than 95% but greater than or equal to 90%.

Level 3: One instance during a calendar quarter in which the Control Area's or Reserve Sharing Group's value of DCS is less than 90% but greater than or equal to 85%.

Level 4: One instance during a calendar quarter in which the Control Area's or Reserve Sharing Group's value of DCS is less than 85%.

6. Sanctions

For purposes of applying the sanctions specified in Section II for violations of this criterion, the "Sanction Measure" is Average Generation and the "Specified Period" is the most recent calendar quarter. For each calendar quarter in which the average percentage DCS is less than 100 percent, the Participant shall be required to increase its operating reserves for the first calendar quarter beginning after a final determination of non-compliance with this criterion pursuant to Sections 5 and 6 of this Reliability Agreement to a level equal to the product of (i) the Participant's required operating reserves in the quarter of measurement (including any increased reserves due to a prior incident of non-compliance with this criterion), multiplied by (ii) a factor equal to 2 minus the average percentage DCS (expressed as a decimal) for the quarter of measurement. If the average percentage DCS is equal to 100 percent for a calendar quarter, required operating reserves will be set at the appropriate level without consideration of any prior non-compliance.

C. Control Performance Standard One

1. Participants Subject to Criterion

This criterion applies to each Participant that operates a Control Area.

2. WSCC Criterion

A Participant identified in Section III.C.1 shall monitor its control performance on a continuous basis against the following standard:

CPS1 Standard. Over a year, the average of the clock-minute averages of the Control Area's ACE divided by $-10 \times \beta$ (β is Control Area Frequency Bias) times the corresponding clock-minute averages of the Western Interconnection's Frequency Error shall be less than a specific limit (a constant derived from a targeted frequency bound reviewed and set as necessary by the NERC Performance Subcommittee).

3. Data Reporting Requirement

On or before the fifth day of each month (or such other date specified in Form A.3), a Participant identified in Section III.C.1 shall submit to the WSCC office control performance standard data in Form A.3 (available on the WSCC web site) for the immediately preceding month.

4. Compliance Standard

Compliance with the CPS1 standard shall be measured on a percentage basis as set forth in the NERC Performance Standard Training Document.

5. Non-Compliance Levels

Level 1: One instance during a calendar month in which the Control Area's value of CPS1 is less than 100% but greater than or equal to 95%.

Level 2: One instance during a calendar month in which the Control Area's value of CPS1 is less than 95% but greater than or equal to 90%.

Level 3: One instance during a calendar month in which the Control Area's value of CPS1 is less than 90% but greater than or equal to 85%.

Level 4: One instance during a calendar month in which the Control Area's value of CPS1 is less than 85%.

6. Sanctions

For purposes of applying the sanctions specified in Section II for violations of this criterion, the "Sanction Measure" is Average Generation and the "Specified Period" is the most recent calendar month.

D. Control Performance Standard Two

1. Participants Subject to Criterion

This criterion applies to each Participant that operates a Control Area.

2. WSCC Criterion

A Participant identified in Section III.D.1 shall monitor its control performance on a continuous basis against the following standard:

CPS2 Standard. The average ACE for each of the six ten-minute periods during the hour (i.e., for the ten minute periods ending at 10, 20, 30, 40, 50, and 60 minutes past the hour) must be within specific limits calculated pursuant to Section B.1.1.2 of the NERC "Performance Standard Training Document."

3. Data Reporting Requirement

On or before the fifth day of each month (or such other date specified in Form A.3), a Participant identified in Section III.D.1 shall submit to the WSCC office control performance standard data in Form A.3 (available on the WSCC web site) for the immediately preceding month.

4. Compliance Standard

Compliance with the CPS2 standard shall be measured on a percentage basis as set forth in the NERC Performance Standard Training Document.

5. Non-Compliance Levels

Level 1: One instance during a calendar month in which the Control Area's value of CPS2 is less than 90% but greater than or equal to 85%.

Level 2: One instance during a calendar month in which the Control Area's value of CPS2 is less than 85% but greater than or equal to 80%.

Level 3: One instance during a calendar month in which the Control Area's value of CPS2 is less than 80% but greater than or equal to 75%.

Level 4: One instance during a calendar month in which the Control Area's value of CPS2 is less than 75%.

6. Sanctions

For purposes of applying the sanctions specified in Section II for violations of this criterion, the "Sanction Measure" is Average Generation and the "Specified Period" is the most recent calendar month.

E. Operating Transfer Capability

1. Participants Subject to Criterion

This criterion applies to each Participant that is an operator of a transmission path in the WSCC Table 2.

2. WSCC Criterion

Operating Transfer Capability Limit Criteria

Actual power flow and net scheduled power flow over an interconnection or transfer path shall be maintained within Operating Transfer Capability Limits ("OTC"). The OTC is the maximum amount of actual power that can be transferred over direct or parallel transmission elements comprising:

- An interconnection from one Control Area to another Control Area; or
- A transfer path within a Control Area.

The net schedule over an interconnection or transfer path within a Control Area shall not exceed the OTC, regardless of the prevailing actual power flow on the interconnection or transfer path.

- a. **Operating limits.** No elements within the interconnection shall be scheduled above continuous operating limits. An element is defined as any generating unit, transmission line, transformer, bus, or piece of electrical equipment involved in the transfer of power within an interconnection.
- b. **Stability.** The interconnected power system shall remain stable upon loss of any one single element without system cascading that could result in the successive loss of additional elements. The system voltages shall be within acceptable limits defined in the WSCC Reliability Criteria for Transmission System Planning. If a single event could cause loss of multiple elements, these shall be considered in lieu of a single element outage. This could occur in exceptional cases such as two lines on the same right-of-way next to an airport. In either case, loss of either single or multiple elements should not cause uncontrolled, widespread collapse of the interconnected power system. For purposes of this Section, stability shall include transient stability, post transient stability or dynamic stability whichever is most limiting to OTC.
- c. **System contingency response.** Following the outage and before adjustments can be made:
 - (i) No remaining element shall exceed its short-time emergency rating.
 - (ii) The steady-state system voltages shall be within emergency limits.

The limiting event shall be determined by conducting power flow and stability studies while simulating various operating conditions. These studies shall be updated as system configurations introduce significant changes in the interconnection.

3. **Data Reporting Requirement**

By no later than 5:00 p.m. Mountain Time on the first Business Day following the day on which an instance of non-compliance

occurs (or such other date specified in Form A.4(a)), a Participant identified in Section III.E.1 shall submit to the WSCC office operating transfer capability data in Form A.4(a) (available on the WSCC web site) for each such instance of non-compliance. On or before the tenth day of each calendar quarter (or such other date specified in Form A.4(b)), the Participants identified in Section III.E.1 (including Participants with no reported instances of non-compliance) shall submit to the WSCC office a completed OTC summary compliance Form A.4(b) (available on the WSCC web site) for the immediately preceding calendar quarter.

4. Compliance Standard

Actual power flow on all transmission paths shall at no time exceed the OTC for more than 10 minutes for paths that are stability limited, or for more than 30 minutes for paths that are thermally limited.

5. Non-Compliance Levels

For each separate incident violating the OTC compliance standard, the level of the violation shall be as set forth in the following table:

Thermal Limited Paths:	Limit exceeded for more than 30 minutes, up to 35 minutes	Limit exceeded for more than 35 minutes, up to 40 minutes	Limit exceeded for more than 40 minutes, up to 45 minutes	Limit exceeded for more than 45 minutes
Stability Limited Paths:	Limit exceeded for more than 10 minutes, up to 15 minutes	Limit exceeded for more than 15 minutes, up to 20 minutes	Limit exceeded for more than 20 minutes, up to 25 minutes	Limit exceeded for more than 25 minutes
Percentage by which net scheduled or actual flows exceed OTC*				
greater than 0%, up to and including 5%	Level 1	Level 2	Level 2	Level 3
greater than 5%, up to and including 10%	Level 2	Level 2	Level 3	Level 3
greater than 10%, up to and including 15%	Level 2	Level 3	Level 3	Level 4
greater than 15%, up to and including 20%	Level 3	Level 3	Level 4	Level 4
greater than 20%, up to and including 25%	Level 3	Level 4	Level 4	Level 4
greater than 25%	Level 4	Level 4	Level 4	Level 4

* measured after 10 continuous minutes of net scheduled or actual flows in excess of OTC.

6. Sanctions

For purposes of applying the sanctions specified in Section II for violations of this criterion, the "Sanction Measure" is Normal

Path Rating and the "Specified Period" is the most recent calendar month.

IV. RELIABILITY CRITERIA APPLICABLE TO GENERATORS

A. Generator Power System Stabilizers ("PSS") and Automatic Voltage Regulators ("AVR")

1. Participants Subject to Criterion

The requirements of this criterion apply to each generating unit within the Western Interconnection subject to a Generator RMS Agreement or a WSCC RMS Agreement. The criterion shall be applied on a generator-by-generator basis (i.e., a Participant can be subject to a separate sanction for each noncompliant generator). This criterion shall not be applicable to any generator for any calendar quarter in which such generator is in service for less than five percent of all hours in such quarter (such generation shall still be subject to the data reporting requirements for such quarter).

2. WSCC Criterion

- a. Power System Stabilizers.** Power System Stabilizers on generators and synchronous condensers shall be kept in service and shall be properly tuned in accordance with WSCC requirements.
- b. Automatic Voltage Control Equipment.** Automatic voltage control equipment on generating units, synchronous condensers, and static var compensators shall be kept in service to the maximum extent possible with outages coordinated to minimize the number out of service at any one time. All generating units with automatic voltage control equipment shall normally be operated in voltage control mode and set to respond effectively to voltage deviations.

3. Data Reporting Requirement

On or before the tenth day of each month (or such other date specified in Form A.5), a Participant shall submit to the WSCC office Power System Stabilizer and Automatic Voltage Regulator

data in Form A.5 (available on the WSCC web site) for the immediately preceding month.

4. Compliance Standard

Each generating unit equipped with PSS shall have the PSS in service when the unit is on line. AVR to be operated in voltage control mode for all hours that units equipped with AVR are on line.

5. Non-Compliance Levels

Level 1: Meeting PSS and AVR compliance standards in fewer than 98% but in 96% or more of all hours during which the generating unit is on line for each calendar quarter.

Level 2: Meeting PSS and AVR compliance standards in fewer than 96% but in 94% or more of all hours during which the generating unit is on line for each calendar quarter.

Level 3: Meeting PSS and AVR compliance standards in fewer than 94% but in 92% or more of all hours during which the generating unit is on line for each calendar quarter.

Level 4: Meeting PSS and AVR compliance standards in fewer than 92% of all hours during which the generating unit is on line for each calendar quarter.

In computing the percentages for this Section IV.A.5 a Participant may with respect to each generating unit in each calendar quarter exclude on a one-time basis all hours for the period (up to a maximum of 15 consecutive days), required to replace or repair faulty PSS or AVR equipment. To qualify for this exclusion, Participant shall give WSCC prompt notice of such replacement or repair, the expected time required therefore, and the date when such repair or replacement is completed.

6. Sanctions

For purposes of applying the sanctions specified in Section II for violations of this criterion, the "Sanction Measure" is Generating Unit Capability and the "Specified Period" is the most recent calendar quarter.

V. RELIABILITY CRITERIA APPLICABLE TO SYSTEM USERS THROUGH TRANSMISSION TARIFFS AND TRANSMISSION AGREEMENTS

[Reserved]

VI. EXCUSE OF PERFORMANCE

A. Excused Non-Compliance

Non-compliance with any of the reliability criteria contained in Sections III and IV shall be excused and no sanction applied if such non-compliance results directly from one or more of the actions or events listed in Sections VI.B(1)-(4).

B. Specific Excuses

1. Governmental Order

The Participant's compliance with or action under any applicable law or regulation or other legal obligation related thereto or any curtailment, order, regulation or restriction imposed by any governmental authority (other than the Participant, if the Participant is a municipal corporation or a federal, state, or provincial governmental entity or subdivision thereof).

2. Order of Security Coordinator

The Participant's compliance or reasonable effort to comply with any instruction, directive, order or suggested action ("Security Order") by the WSCC Security Coordinator for the WSCC sub-region within which the Participant is operating, provided that the need for such Security Order was not due to the Participant's non-compliance with (a) the WSCC Reliability Criteria for Transmission System Planning, (b) the WSCC Power Supply Design Criteria, (c) the WSCC Minimum Operating Reliability Criteria, or (d) any other WSCC reliability criterion, policy or procedure then in effect (collectively, "WSCC Reliability Standards"), and provided further that the Participant in complying or attempting to comply with such Security Order has taken all reasonable measures to minimize

Participant's non-compliance with the reliability criteria contained in Sections III and IV.

3. Protection of Facilities

Any action taken or not taken by the Participant which, in the reasonable judgment of the Participant, was necessary to protect the operation, performance, integrity, reliability or stability of the Participant's computer system, electric system (including transmission and generating facilities), or any electric system with which the Participant's electric system is interconnected, whether such action occurs automatically or manually; provided that the need for such action or inaction was not due to Participant's non-compliance with any WSCC Reliability Standard and provided further that Participant could not have avoided the need for such action or inaction through reasonable efforts taken in a timely manner. Reasonable efforts shall include shedding load, disconnecting facilities, altering generation patterns or schedules on the transmission system, or purchasing energy or capacity, except to the extent that the Participant demonstrates to the WSCC Staff and/or the RCC that in the particular circumstances such action would have been unreasonable.

4. Extraordinary Contingency

- a. Any Extraordinary Contingency (as defined in subsection c); provided that this provision shall apply only to the extent and for the duration that the Extraordinary Contingency actually and reasonably prevented the Participant from complying with any applicable reliability criteria; and provided further that Participant took all reasonable efforts in a timely manner to mitigate the effects of the Extraordinary Contingency and to resume full compliance with all applicable reliability criteria contained in this Reliability Agreement. Reasonable efforts shall include shedding load, disconnecting facilities, altering generation patterns or schedules on the transmission system, or purchasing energy or capacity, except to the extent that the Participant demonstrates to the WSCC Staff and/or the RCC that in the particular circumstances such action would have been unreasonable. Reasonable efforts shall not include the settlement of any strike, lockout or labor dispute.

- b. Any Participant whose compliance is prevented by an Extraordinary Contingency shall immediately notify the WSCC of such contingency and shall report daily or at such other interval prescribed by the WSCC the efforts being undertaken to mitigate the effects of such contingency and to bring the Participant back into full compliance.
- c. An Extraordinary Contingency means any act of God, actions by a non-affiliated third party, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm or flood, earthquake, explosion, accident to or breakage, failure or malfunction of machinery or equipment, or any other cause beyond the Participant's reasonable control; provided that prudent industry standards (e.g., maintenance, design, operation) have been employed; and provided further that no act or cause shall be considered an Extraordinary Contingency if such act or cause results in any contingency contemplated in any WSCC Reliability Standard (e.g., the "Most Severe Single Contingency" as defined in the WSCC Reliability Criteria or any lesser contingency).

ATTACHMENT I
WSCC TABLE 2 TRANSMISSION PATHS
AS OF NOVEMBER 17, 1998

	PATH NAME*	Path Number	Operating Agent
1.	TRANSALTA - BC HYDRO	1	BC Hydro
2.	Northwest - Canada	3	BC Hydro
3.	WEST OF CASCADES - NORTH	4	BPA
4.	West of Cascades - South	5	BPA
5.	West of Hatwai	6	WWP/BPA
6.	Montana to Northwest	8	MPC
7.	Billings - Yellowtail	53	MPC
8.	Idaho to Northwest	14	IPC
9.	Idaho - Sierra	16	SPP
10.	Borah West	17	IPC
11.	Idaho - Montana	18	MPC
12.	Bridger West	19	PAC
13.	Path C	20	PAC
14.	Pacific DC Intertie	65	BPA/LADWP
15.	COI	66	BPA/CISO
16.	PG&E - SPP	24	CISO
17.	South of Los Banos or Midway- Los Banos	15	CISO
18.	Northern - Southern California	26	CISO
19.	Intmntn. Power Project DC Line	27	LADWP
20.	Pavant - Gonder 230 kV Intermountain - Gonder 230 kV	32	SPP/LADWP
21.	TOT 1A	30	WAPA
22.	TOT 2		WAPA/PAC/NEVP
23.	TOT 2A	31	WAPA
24.	TOT 2B	34	PAC
25.	TOT 2C	35	NEVP
26.	TOT 3	36	WAPA
27.	TOT 5	39	WAPA
28.	SDGE - CFE	45	CISO/CFE
29.	West of Colorado River (WOR)	46	CISO
30.	Southern New Mexico (NM1)	47	EPE
31.	Southwest of Four Corners	22	APS
32.	East of the Colorado River (EOR)	49	APS
33.	Cholla - Pinnacle Peak	50	APS
34.	Southern Navajo	51	APS
35.	Northern New Mexico (NM2)	48	PNM
36.	SCIT		CISO
37.	COI/PDCI - North of John Day cutplane		BPA
38.	North of John Day cutplane	73	BPA

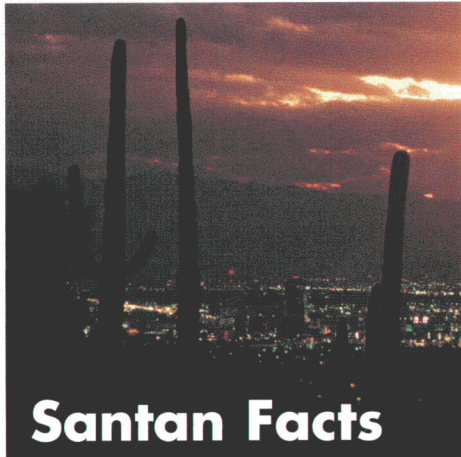
* For an explanation of terms, path numbers, and definition for the paths refer to WSCC's Path Rating Catalog.

Energy News

SRP
Delivering More Than Power.®

August 2001 No. 10

Useful information for the Gilbert community



Santan Facts

- ◆ One hundred percent of the output from the Santan expansion will be available to serve SRP's Valley electric customers. The project is part of SRP's prudent planning to **prevent a California-like energy crisis** in Arizona.
- ◆ The Santan project will **provide a critically needed supply** of electricity and will strengthen SRP's system against potential blackouts.
- ◆ **SRP will spend about \$20 million on enhancements to the Santan facility.** These will include landscape screening, noise reduction, road-widening and park improvements to ensure the plant is compatible with the surrounding community.
- ◆ **The state-of-the-art facility will meet all air quality standards to protect the health of you and your neighbors.** Area air quality will improve through plant controls and retirement of local emission sources.
- ◆ SRP plans to **double solar energy production** at the Santan generating facility.

◆
Editor's note: This is the tenth issue of *Energy News*. Visit www.santanfacts.org or call us at (602) 236-2679 for previous *Energy News* issues or for more information about the project.

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Residents Consider Landscape Options

A group of Gilbert residents is reviewing site plans for the Santan Expansion Project and developing recommendations that make a positive impact on the Gilbert community and nearby homes. The group includes representatives from homeowner associations bordering the plant, project interveners, members of the original Santan Expansion Project Community Working Group and a staff member from the Town of Gilbert.

In April, the Arizona Corporation Commission (ACC) approved SRP's Santan Expansion Project.

As part of this approval, SRP is conducting a process to complete landscaping and screening designs around the Santan Generating Station. This process involves Gilbert-area residents in a group known as the Landscaping and Mitigation Community Working Group (CWG), which began meeting in June.

The meetings are open to the general public and meeting announcements are listed on the Town

of Gilbert and SRP Web sites, advertised in the *Gilbert Independent*, *Arizona Republic* and *East Valley Tribune* newspapers, and announced on Gilbert's municipal television station, Cox Cable Channel 7. Approved meeting minutes are available on the Internet at www.santanfacts.org.

The CWG members have selected independent facilitator Mary Orton to conduct the meetings. TenEyck Landscape Architects Inc. will develop design concepts in accordance with the input provided by the group.

For more information related to the Landscaping and Mitigation CWG, please contact **Janeen Rohovit** at jcrohovi@srpnet.com or call **(602) 236-2679**.

The next public meeting will be:

Date: Tuesday, Aug. 14, 2001
Time: 6 p.m. to 10 p.m.
Location: Gilbert Municipal Building, Room 300
1025 S. Gilbert Road



SRP has committed to extensive landscaping efforts and other community enhancements in conjunction with the proposed expansion at its Santan Generating Station to increase its compatibility with the surrounding area. Pictured is a simulation of how the expanded plant might look with an 80-foot visual buffering.

Planning For Future Energy Needs

According to a national survey of consumers, building new power plants is the preferred approach to dealing with electricity shortages.

In a recent J. D. Power and Associates study, more than 25,000 residential electric customers throughout the U.S. were asked which tradeoff they would choose to handle energy supply shortages—build more power plants, pay higher prices or cut back on usage. Arizona customers responding to the study had one of the highest scores in choosing to build more plants. Overall, more than half of the respondents support building more power plants when faced with electricity shortages.

SRP is working to meet the increasing demand for electricity in our service area. In addition to the proposed Santan Expansion Project, SRP

**Careful planning
and development
of power plants
and transmission
facilities will meet
the energy needs
of the Valley's
next generation.**

has started development on a recently approved, 250-MW plant in Tempe that will be complete in 2002. Both facilities are planned for the East Valley, which continues to experience unprecedented growth. We are also adding generation in the Valley that uses solar energy, landfill gas and canal water.

During the next two years, we will continue with system improvements that will increase our power delivery capabilities. SRP has several transmission line proposals underway, which will bring more electricity into the Valley as well as move power within communities where demand is growing.

Our projections for this year and 2002 reflect adequate resources to serve customer demand in the SRP service area. Careful planning and development of power plants and transmission facilities will meet the energy needs of the Valley's next generation.

**SPECIAL BULLETIN INSIDE
ON THE LANDSCAPING
& MITIGATION
CWG**

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Appendix C

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OPEN MEETING AGENDA ITEMS

2001 APR 25 P 2:42

ARIZONA DEPARTMENT OF WATER RESOURCES

500 North Third Street, Phoenix, Arizona 85004

Telephone 602 417-2410

Fax 602 417-2415

AZ CORP COMMISSION
DOCKET CONTROL



JANE DEE HULL
Governor

RITA PEARSON
MAGUIRE
Director

April 25, 2001

Ms. Nancy Cole
Arizona Corporation Commission
Hearing Division, Docket Control
1200 West Washington Street
Phoenix, AZ 85007-2996

Re: Arizona Power Plant and Transmission Line Siting Committee
San Tan Expansion Project, Case No. 105

Attn: Power Plant and Transmission Line Siting Committee

In the hearings held before the Power Plant and Transmission Line Siting Committee, the Salt River Project (SRP) identified two water supply alternatives to meet the 6,440 acre-feet (af) water requirement for the proposed San Tan Expansion Project (SEP). The first alternative would be a cooperative effort between the Town of Gilbert and SRP. The second would have SRP providing its own water supply.

The Arizona Department of Water Resources (Department) requested SRP and the Town of Gilbert to provide additional information to enable the Siting Committee to better understand the viability of each source of supply.

At the February 12, 2001 SEP hearing of the Siting Committee, SRP provided the information, dated February 6, 2001, in response to the Department's request. Since the information was provided late in the hearing process, there was no opportunity for the Department to discuss this information with the other members of the Siting Committee. No material was received from the Town of Gilbert

The information provided in the February 6, 2001 document has addressed the issues and concerns expressed by the Department in the hearing process. The water supply alternatives are both acceptable and either should be able to meet the water requirements for the SEP.

Sincerely,

Dennis Sundie, Section Manager
Water Resources Planning Section

cc: Corporation Commission
Parties of Record
DS:kd



Delivering More Than Power™

PO Box 52025
Mail Station PAB110
Phoenix, AZ 85072-2025
Phone: (602) 236-2277
Fax: (602) 629-8490
Internet: rssiegel@srpnet.com

Richard S. Siegel
Principal Analyst
Water Rights and Contracts

April 6, 2001

Mr. Mark R. Frank
Phoenix Active Management Area
Arizona Department of Water Resources
500 North Third Street
Phoenix, Arizona 85004

Re: **Amendment of Certificate of Water Exchange Enrollment #67-547270**

Dear Mr. Frank:

As per my phone conversation with Patrick Schiffer of ADWR on March 20, pursuant to A.R.S. § 45-1041.B (modification of a previously enrolled water exchange), the purpose of this letter is to request the amendment of the above referenced Certificate of Water Exchange Enrollment to include CAP water and effluent as water exchange sources for the Town Gilbert, and that the amended certificate be valid retroactive to calendar year 2000.

If you have any questions on this letter, please call me at the number above. Thank you very much for your assistance.

Sincerely,

Richard S. Siegel

Approved and Acknowledged:

Town of Gilbert

c: Guy Carpenter, Town of Gilbert
Lonnie Frost, Town of Gilbert
Patrick Schiffer, ADWR

bc: JoEllen Alberhasky
Thom Bawden
Felipe Caballero
Pete Cady
Paul Cherrington
Steve Doncaster
Mike Ference
Ron Heckenberg
Greg Kornrumpf
Tom Kuk
George Livergood
Terry Lonon
Joe Rauch
Dave Roberts
Lanier Stevens



Delivering More Than Power™

PO Box 52025
Mail Station PAB103
Phoenix, AZ 85072-2025
Phone: (602) 236-2460
Fax: (602) 236-5034
Internet: pacherri@srpnet.com

Paul A. Cherrington
Manager
Water Engineering and Transmission

May 2, 2001

Mr. Guy Carpenter
Water Resources Manager
Town of Gilbert
1025 South Gilbert Road
Gilbert, Arizona 85296

Re: **Inclusion of SRP Wells in Recovery Well Permit**

Dear Mr. Carpenter:

This letter indicates SRP's approval for the Town of Gilbert to include those SRP wells located within the Town of Gilbert in Gilbert's Recovery Well Permit application (see enclosed list).

These SRP wells will be used by the Town of Gilbert for those purposes allowed under the Water Delivery and Use Agreement (WDUA) between SRP and Gilbert, including SRP's Member Land Credit Recovery Program, and eventually, an expanded CRP for non-Member Land and off-Project land purposes.

We expect to enter into the Member Land CRP letter agreement with the Town of Gilbert very soon.

If you have any questions on this letter, please call me at 602-236-2460.

Sincerely,

Paul A. Cherrington
SRP Water Delivery and Use Agreement Authorized Representative

bc: JoEllen Alberhasky
Thom Bawden
Felipe Caballero
Pete Cady
Steve Doncaster
Mike Ference
Ron Heckenberg
Greg Kornrumpf
George Livergood
Tom Kuk
Terry Lonon
Joe Rauch
Rich Siegel
Vicki Simon
Lanier Stevens

PAC/RSS/rss

c: Mr. Lonnie Frost, Town of Gilbert
Mr. Dave Roberts, SRP
Mr. Bill Taylor, Town of Gilbert

SRP WELLS WITHIN THE TOWN OF GILBERT*

ADWR Number	SRP Number	Volume (AF/YR)**	Comments
55542431	29E-1S	4,415	Direct Connect (Town Well #15)
55547844	32E-2S	3,710	Direct Connect (Town Well #17)
55607720	33E-3S	6,662	Transmission (Santan C)
55607690	32.5E-3S	3,558	Santan A
55607693	32.1E-3S	3,666	Santan B
55608366	32.1E-4S	3,226	Transmission
55608367	31.1E-4.5S	3,000	Distribution
55617084	30.1E-3S	2,858	Transmission
55617085	29.6E-3.5S	4,912	Transmission
55617086	29.3E-4S	3,857	Transmission
55617087	29.3E-0S	3,937	Distribution
55617090	28.5E-3.3S	4,758	Direct Connect (Town Well #16)
55617094	28E-2S	5,183	Distribution
55617095	28E-1S	5,804	Distribution
55617104	29E-2S	5,628	Distribution
55617105	29E-1.5S	3,410	Distribution
55617107	33.4E-0.5S	4,033	Transmission
55617108	33.3E-2S	3,726	Direct Connect (Town Well #4)
55617110	32.5E-3.5S	4,033	Transmission (Santan D)
55617111	31.4E-0S	2,142	Transmission
55617115	30.3E-2.6S	3,226	Direct Connect (Town Well #3)
55617116	31.1E-1S	4,321	Transmission
55617117	31E-1.5S	4,003	Transmission
55617118	31.3E-0.5S	4,670	Transmission
55617822	31.5E-3S	4,003	Distribution (Being relocated to 31.6E-3S)
55617834	27E-1S	3,820	Distribution
55617866	30.8E-2S	3,207	Transmission

* Includes only SRP wells shown on SRP Recovery Well Permit 74-548930

* Volume shown is SRP permitted volume (SRP Recovery Well Permit 74-548930)

24-Apr-01



Delivering More Than Power™

PO Box 52025
Mail Station PAB110
Phoenix, AZ 85072-2025
Phone: (602) 236-2343
Fax: (602) 236-2159
Internet: dcrobert@srp.gov

David C. Roberts
Manager
Water Rights and Contracts

July 13, 2001

Mr. Lonnie Frost
Public Works Director
Town of Gilbert
1025 S. Gilbert
Gilbert, Arizona 85296-3401

Re: **SRP Groundwater Savings Facility (GSF) Consent**

Dear Mr. Frost:

As required by the Arizona Department of Water Resources (ADWR) in Gilbert's Water Storage Permit application, this letter serves as SRP's consent to Gilbert obtaining a Water Storage Permit for SRP's GSF. SRP will accept in lieu water from Gilbert subject to the conditions set forth in (1) SRP's GSF permit (permit #72-553133), and (2) a GSF agreement between SRP and Gilbert.

If you have any questions on this letter, please call Mr. Richard Siegel at 602-236-2277, or myself at 602-236-2343.

Sincerely,

David C. Roberts
SRP GSF Authorized Representative

DCR/RSS/rss

c: Mr. Charles Ester, SRP
Mr. Richard Siegel, SRP
Mr. Greg Kornrumpf, SRP



PO Box 52025
Mail Station PAB110
Phoenix, AZ 85072-2025
Phone (direct): (602) 236-2277
Fax (direct): (602) 629-8490
Internet: rssiegel@srpnet.com

Richard S. Siegel
Principal Analyst
Water Rights and Contracts

August 29, 2001

Ms. Norma Hernandez
Administrative Secretary
Town of Gilbert
1025 South Gilbert Road
Gilbert, Arizona 85296

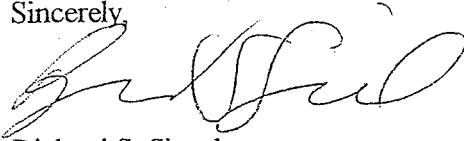
Re: **SRP/Gilbert Groundwater Savings Facility (GSF) Agreement**

Dear Ms. Hernandez:

As we discussed today, enclosed are three fully executed original copies of the above referenced agreement.

Thank you very much for your assistance.

Sincerely,



Richard S. Siegel

c w/enc.: Lonnie Frost, Town of Gilbert
Dave Roberts, SRP

bc w/enc.: Thom Bawden
Felipe Caballero
Paul Cherrington
Steve Doncaster
Charlie Ester
Ron Heckenberg
Greg Kornrumpf
Tom Kuk
Joe Rauch
Dallas Reigle
Dave Stanley
Lanier Stevens

[Original filed with Corporate Secretary's Office]

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GROUNDWATER SAVINGS FACILITY AGREEMENT

BETWEEN

SALT RIVER VALLEY WATER USERS' ASSOCIATION

AND

TOWN OF GILBERT

06/18/1996 TJK

GROUNDWATER SAVINGS FACILITY AGREEMENT
BETWEEN
SALT RIVER VALLEY WATER USERS' ASSOCIATION
AND
TOWN OF GILBERT

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GROUNDWATER SAVINGS FACILITY AGREEMENT

1. PARTIES:

This Groundwater Savings Facility Agreement ("Agreement") is made and entered into the 24th day of July ²⁰⁰¹~~19~~ by and between the SALT RIVER VALLEY WATER USERS' ASSOCIATION, an Arizona Corporation, (hereinafter referred to as "Association") and the TOWN OF GILBERT an Arizona Municipal Corporation, (hereinafter referred to as "Town"). These parties may hereinafter be referred to individually as "Party" and collectively as "Parties".

2. RECITALS:

2.1 Shareholders of Association are owners of land ("Member Land") within the Salt River Reservoir District ("SRRD"), having valid appropriative rights to water of the Salt and Verde Rivers. Association is responsible for delivery to Member Land of water developed, controlled or stored by it for the benefit of such lands, including groundwater pumped from Association wells to supplement surface water.

2.2 Town distributes water to land within its water service area. As Member Lands urbanize, Association delivers to Town for said lands within Town's water service area, water developed, controlled or stored by Association, to which said lands are entitled, including groundwater.

2.3 Arizona revised statutes §45-801.01 et seq encourage the use of Central Arizona Project ("CAP") water in place of groundwater by authorizing permits to be issued for water storage and the operation of groundwater savings facilities ("GSF") in active management areas ("AMAs").

2.4 The SRRD is within the Phoenix AMA. Association desires to reduce the amount of groundwater pumped from within the SRRD and delivered for use on Member Land by operating the SRRD as a GSF pursuant to a GSF permit.

2.5 Town also desires to reduce groundwater pumping within the Phoenix AMA, and is

1 willing to arrange for the delivery of CAP water to the SRRD GSF. Association is
2 willing to receive and then deliver such water in-lieu of groundwater for use on
3 Member Land.

4 2.6 Association and Town desire to enter into this Agreement to establish a GSF and
5 acquire CAP water for delivery and use within the GSF in-lieu of groundwater
6 pumped therein.

7 3. AGREEMENT:

8 In consideration of the foregoing, the covenants and agreements contained herein and other
9 good and valuable consideration, Association and Town agree as follows:

10 4. AUTHORIZED REPRESENTATIVES:

11 Within thirty (30) days after execution of this Agreement, each Party shall designate in
12 writing to the other Party, an authorized representative ("AR") and an alternate to administer
13 on behalf of the designating Party, the provisions of this Agreement as stipulated in Sections
14 6.2, 6.3 and 6.5. Written notice of a change of an AR or alternate shall be provided within
15 thirty (30) days of such change. The alternate shall act only in the absence of the AR.
16 Neither the ARs nor the alternates shall have authority to amend this Agreement.
17 Agreements of the ARs pursuant to this Agreement shall be in writing and signed by them.

18 5. PERMITS AND REPORTS:

19 5.1 At its expense, Association shall obtain and maintain in effect a GSF permit issued by
20 the Arizona Department of Water Resources ("ADWR") to operate the SRRD as a
21 GSF pursuant to and in accordance with the permit.

22 5.2 At its expense, Town shall obtain and maintain in effect a water storage permit issued
23 by the ADWR for the GSF specified in Section 5.1.

24 5.3 The Party issued a permit by ADWR pursuant to this Section 5 shall be responsible
25 for the filing of reports required by the permit.

26 5.4 Each Party shall cooperate with and provide non-proprietary information required by

1 the other Party to obtain, or conform to the requirements of, a permit specified in this
2 Section 5. Association and Town agree to comply with the operating requirements of
3 the GSF permit and the GSF plan of operation.

4 5.5 Town acknowledges that ADWR may determine that certain water losses incurred
5 transporting CAP water as in-lieu water ("In Lieu-Water") for use on Member Land,
6 shall reduce the amount of water credits accrued by Town from operation of the GSF.

7 6. CAP WATER CONTRACT:

8 6.1 Town shall use its existing contract or enter into a contract ("Contract") with Central
9 Arizona Water Conservation District ("CAWCD") to provide for the delivery of In-Lieu
10 Water for use in the GSF during the term of the GSF permit.

11 6.2 The Contract shall permit Association to order In-Lieu Water directly from CAWCD in
12 accordance with CAWCD water ordering procedures, and limits to be established by
13 the ARs. In-Lieu Water ordered by Association shall not exceed the then applicable
14 Town budget for such water.

15 6.3 By September 30 of each year, for the following calendar year, the ARs shall agree
16 upon an estimate of the amount of Association groundwater pumping that can be
17 displaced within the GSF on an acre-foot for acre-foot basis by the receipt of In-Lieu
18 Water for use in the GSF. Town may contract with CAWCD for such estimated
19 amount of In Lieu Water, subject to potential reduction as herein provided. During
20 the year for which the estimate was prepared, Association may, without any liability to
21 Town whatsoever, reduce this estimate due to a substantial increase in the quantity
22 of surface water in storage, which event has resulted in a change in the project
23 reservoir operating plan ("PROP") customarily used by Association to determine both
24 groundwater pumping and use of surface water within the SRRD. By written notice,
25 the Association AR shall inform the Town AR of the required reduction of the
26 estimate as soon as practicable. Town shall then reduce its contracted amount of In-

Lieu Water by a like amount.

6.4 In-Lieu Water shall be delivered through the CAP/SRP Interconnection Facility ("CSIF") to the Association canal system using Town's capacity, as necessary, in each of the components of the CSIF. If the rate of delivery of In-Lieu Water exceeds such capacity owned by Town, Association's capacity in the CSIF components shall be used to the extent of such exceedance. Each Party shall bear the cost of use of its owned capacity in each CSIF component used for the delivery of In-Lieu Water. The water shall be measured as provided in the CAP/SRP Interconnection Intergovernmental Agreement dated July 26, 1989, to which the Parties hereto are also parties.

6.5 Except as otherwise provided in this Agreement, Association shall have no obligation to conform to the requirements of the Contract, except Association shall pay to Town one-half of the cost of In-Lieu Water Association orders and receives. Association's share of such cost shall not exceed fifteen dollars (\$15) per acre foot, unless otherwise agreed by the ARs. Association's share of the cost shall be remitted to Town by the end of the month following the month during which the In-Lieu Water was received.

6.6 Association shall be responsible for the In-Lieu Water and its delivery for use on Member Land in the GSF once the water has been introduced to the Association canal system. Town shall neither be charged a transportation fee nor be assessed transportation losses pursuant to the Water Transportation Agreement between the Parties dated November 25, 1997 for In-Lieu Water delivered to Association pursuant to this Agreement. In-Lieu Water delivered to Member Land shall be accounted for as part of that land's allotment of water from Association.

6.7 By the fifteenth (15th) day of each month, Association shall provide Town a report that specifies the total amount of In-Lieu Water received by Association pursuant to

1 this Agreement during A) the prior calendar month, and B) the calendar year to date,
2 inclusive of the prior calendar month.

3 6.8 For each acre foot of In-Lieu Water received pursuant to this Agreement, Association
4 shall reduce its groundwater pumping within the GSF by one acre-foot in comparison
5 to the amount of groundwater Association would have pumped within the GSF had it
6 not received the In-Lieu Water.

7 7. TERM AND TERMINATION:

8 7.1 This Agreement shall become effective upon A) execution by the Parties, B) receipt
9 of the required permits, and C) execution of the Contract stipulated in Section 5.

10 7.2 Once effective, this Agreement shall remain in effect from year to year on a calendar
11 year basis, unless terminated as hereinafter provided.

12 7.3 Either Party may terminate this Agreement effective at the end of the then current
13 calendar year, upon written notice provided to the other Party at least thirty (30) days
14 prior to the end of the then current term of this Agreement.

15 7.4 Termination of this Agreement shall not relieve either Party of its obligation to make
16 payments due pursuant to this Agreement.

17 8. RECOVERY OF WATER:

18 The Parties acknowledge that the recovery of water retained underground in the GSF,
19 pursuant to this Agreement and applicable permits, is beyond the scope of this Agreement,
20 and recovery of such water shall be the sole responsibility of the Party desiring to recover
21 such water.

22 9. WATER QUALITY:

23 Neither Party guarantees the quality of In-Lieu Water delivered, received or used pursuant to
24 this Agreement. Each Party waives its right to make a claim against the other Party for the
25 effect on the quality of surface or underground water as a result of this Agreement, unless
26 such effect on water quality is the result of such other Party's negligent or wrongful action or

1 inaction.

2 10. INDEMNIFICATION:

3 Each Party (indemnitor) to this Agreement shall indemnify and hold harmless the other Party
4 (indemnitee) and its governing bodies, agents, directors, officers, and employees from any
5 loss, damage, or liability, including reasonable attorney's fees, caused by a negligent or
6 wrongful action or inaction on the part of the indemnitor and its governing bodies, agents,
7 directors, officers, and employees, including without limitation, claims for bodily injury,
8 illness, death, or damage to property. Each Party shall assume liability for its own negligent
9 or wrongful action or inaction.

10 11. UNCONTROLLABLE FORCES:

11 Neither Party shall be considered to be in default in the performance of any of its obligations
12 hereunder (other than obligations of the Parties to make payments due hereunder) when a
13 failure of performance shall be due to uncontrollable forces. The term "uncontrollable
14 forces" shall mean any cause beyond the control of the Party unable to perform such
15 obligation, including, but not limited to, failure of or threat of failure of facilities, flood,
16 earthquake, storm, fire, lightening and other natural catastrophes, epidemic, war, riot, civil
17 disturbance or disobedience, strike, labor dispute, labor or material shortage, sabotage,
18 government priorities and restraint by court order or public authority, and action or nonaction
19 by, or failure to obtain the necessary authorizations or approvals from, any governmental
20 agency or authority, which by exercise of due diligence such Party could not reasonably
21 have been expected to avoid and which by exercise of due diligence it shall be unable to
22 overcome. Nothing contained herein shall be construed to require either Party to settle any
23 strike or labor dispute in which it is involved.

24 12. NOTICES:

25 Any notice, demand or request provided for in this Agreement shall be in writing and
26 delivered in person, or sent by registered or certified mail, postage prepaid, to:

1 Salt River Valley Water Users' Association

2 c/o Corporate Secretary - PAB 215
3 PO Box 52025
4 Phoenix, AZ 85072-2025
5 Reference: Groundwater Savings Agreement

6 (With a copy to Association's Authorized Representative.)

7 Lonnie Frost

8 Public Works Director, Town of Gilbert

9 1025 S. Gilbert Rd.

10 Gilbert, AZ 85234-3401

11 (With a copy to Town's Authorized Representative.)

12 13. WAIVER:

13 The waiver by either Party of any breach of any term, covenant or condition herein shall not
14 be deemed a waiver of any other term, covenant or condition, or any subsequent breach of
15 the same or any other term, covenant or condition herein.

16 14. TRANSFER OF INTEREST:

17 No voluntary transfer of this Agreement or the rights or obligations of either Party under this
18 Agreement shall be made without the written consent and approval of the other Party, except
19 to a successor in operation of the properties of either Party; however, water credits accrued
20 from operation of the GSF may be assigned at the sole discretion of the accruing Party.

21 15. NO THIRD PARTY BENEFICIARIES:

22 This Agreement is solely for the benefit of the Parties, and does not create nor shall it be
23 construed to create rights in any third party. No third party may enforce the terms and
24 conditions of this Agreement.

25 16. GOVERNING LAW:

26 This Agreement is made under, and shall be governed by, the laws of the State of Arizona.

17. AGREEMENT CANCELLATION:

1 This Agreement may be cancelled pursuant to Arizona revised statute § 38-511.

2 18. HEADINGS:

3 Title and paragraph headings herein are for reference only and are not part of this
4 Agreement.

5 19. ENTIRE AGREEMENT:

6 The terms, covenants and conditions of this Agreement constitute the entire Agreement
7 between the Parties, and no understandings or obligations not herein expressly set forth
8 shall be binding upon them. This Agreement may not be modified or amended in any
9 manner unless in writing and signed by the Parties.

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1 ...
2 IN WITNESS WHEREOF, this Agreement was executed by the Parties on the date first hereinabove
3 written.

4
5 Attest and Countersign

SALT RIVER VALLEY WATER USERS'
ASSOCIATION

6
7
8 Stephanie K Reed ASST. CORP. SEC.
Secretary

By William P. Schade
President

9
10
11 APPROVED AS TO FORM AND WITHIN
12 THE POWER AND AUTHORITY
13 GRANTED UNDER THE LAWS OF THE
14 STATE OF ARIZONA TO THE SALT
15 RIVER VALLEY WATER USERS'
16 ASSOCIATION

17
18 [Signature] 8/27/01

19 Attest

TOWN OF GILBERT, a municipal
corporation

20
21 Catherine A. Temple
22 Town Clerk

By [Signature]
Town Manager

23
24 APPROVED AS TO FORM AND WITHIN
25 THE POWER AND AUTHORITY
26 GRANTED UNDER THE LAWS OF THE
STATE OF ARIZONA TO THE TOWN

Susan Boas
Town Attorney

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DRAFT RULE 322 – January 3, 2002

For Public Workshop on 1/17/02

Contact: Patty Nelson, Phone (602) 506-6709, Fax (602) 506-6179

Email: pnelson@mail.maricopa.gov

Comments due on 2/01/02

REGULATION III - CONTROL OF AIR CONTAMINANTS**NEW RULE 322
POWER PLANT OPERATIONS****INDEX****SECTION 100 - GENERAL**

- 101 PURPOSE
- 102 APPLICABILITY
- 103 EXEMPTIONS
- 104 PARTIAL EXEMPTIONS

SECTION 200 – DEFINITIONS

- 201 COGENERATION STEAM GENERATING UNIT
- 202 COMBINED CYCLE GAS TURBINE
- 203 CONTINUOUS EMISSION MONITORING SYSTEM (CEMS)
- 204 COOLING TOWERS
- 205 DISTILLATE OIL
- 206 DRIFT
- 207 DRIFT RATE
- 208 ELECTRIC UTILITY STATIONARY GAS TURBINE
- 209 ELECTRIC UTILITY STEAM GENERATING UNIT
- 210 EMERGENCY FUEL
- 211 EMISSION CONTROL SYSTEM (ECS)
- 212 FOSSIL FUEL
- 213 FUEL OIL
- 214 HEAT INPUT
- 215 HIGH EFFICIENCY DRIFT ELIMINATORS (HEDE)
- 216 HIGHER HEATING VALUE (HHV)

DRAFT RULE 322 – January 3, 2002

For Public Workshop on 1/17/02

Contact: Patty Nelson, Phone (602) 506-6709, Fax (602) 506-6179

Email: pnelson@mail.maricopa.gov

Comments due on 2/01/02

- 217 LOW SULFUR OIL
- 218 LOWER HEATING VALUE (LHV)
- 219 NITROGEN OXIDES (NO_x)
- 220 OPACITY
- 221 PARTICULATE MATTER (PM)
- 222 PARTICULATE MATTER EMISSIONS
- 223 PEAK LOAD
- 224 POWER PLANT OPERATION
- 225 RATED HEAT INPUT CAPACITY
- 226 RESIDUAL OIL
- 227 SIMPLE CYCLE GAS TURBINE
- 228 STATIONARY GAS TURBINE
- 229 SULFUR OXIDES (SO_x)
- 230 THIRTY (30) DAY ROLLING AVERAGE
- 231 THREE (3) HOUR ROLLING AVERAGE
- 232 TOTAL DISSOLVED SOLIDS (TDS)
- 233 UNCOMBINED WATER

SECTION 300 - STANDARDS

- 301 LIMITATIONS – PARTICULATE MATTER
- 302 LIMITATIONS - OPACITY
- 303 LIMITATIONS – SULFUR IN FUEL
- 304 LIMITATIONS – NITROGEN OXIDES
- 305 LIMITATIONS – CARBON MONOXIDE
- 306 REQUIREMENTS FOR AIR POLLUTION CONTROL EQUIPMENT AND
ECS MONITORING EQUIPMENT

SECTION 400 - ADMINISTRATIVE REQUIREMENTS

- 401 COMPLIANCE SCHEDULE

DRAFT RULE 322 – January 3, 2002

For Public Workshop on 1/17/02

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Comments due on 2/01/02

SECTION 500 - MONITORING AND RECORDS

- 501 RECORD KEEPING AND REPORTING
- 502 RECORDS RETENTION
- 503 COMPLIANCE DETERMINATION
- 504 TEST METHODS ADOPTED BY REFERENCE

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MARICOPA COUNTY
AIR POLLUTION CONTROL REGULATIONS
REGULATION III - CONTROL OF AIR CONTAMINANTS

RULE 322
POWER PLANT OPERATIONS

SECTION 100 – GENERAL

101 PURPOSE: To limit the discharge of nitrogen oxides, sulfur oxides, particulate matter and carbon monoxide emissions into the atmosphere from stationary fossil-fuel-fired equipment at existing power plants and existing cogeneration plants and to limit particulate matter emissions from cooling towers associated with this equipment.

102 APPLICABILITY: This rule applies to any of the following types of equipment that burn fossil fuel for which construction commenced prior to May 10, 1996:

102.1 Each electric utility steam generating unit or cogeneration steam generating unit used to generate electric power that has a heat input of equal to or greater than 100 million (MM) Btu/hour (29 megawatts (MW)).

102.2 Each electric utility stationary gas turbine with a heat input at peak load equal to or greater than 10 MMBtu/hour (2.9 MW) based upon the lower heating value of the fuel.

102.3 Each cooling tower associated with the type of equipment listed in subsections 102.1 and 102.2.

103 EXEMPTIONS: This rule shall not apply to the following types of equipment:

103.1 Combustion equipment associated with nuclear power plant operations.

103.2 Reciprocating internal combustion equipment.

104 PARTIAL EXEMPTIONS:

104.1 Simple cycle gas turbines that meet any of the following criteria listed below are exempt from Sections 304 and 305 and subsections 307.4, 401.3, and 501.4 of this rule:

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- a. Used as fire fighting gas turbines
- b. Used for flood control.
- c. Used in the military at military training facilities or military gas turbines for use in other than a garrison.
- d. Engaged by manufacturers in research and development of equipment for either gas turbine emission control techniques or gas turbine efficiency improvements.

104.2 All equipment listed in Section 102 fired with an emergency fuel that is normally fired with natural gas is exempt from Sections 304 and 305 and subsections 301.1, 306.4, 401.3, and 501.4 of this rule.

104.3 All equipment listed in Section 102 shall be exempt from Sections 304 and 305 and subsections 301.1, 306.4, 401.3, and 501.4 of this rule for 36 cumulative hrs. of firing emergency fuel per year, per unit for testing, reliability and maintenance purposes.

SECTION 200 - DEFINITIONS: For the purpose of this rule, the following definitions shall apply:

201 COGENERATION STEAM GENERATING UNIT – A steam or hot water generating unit that simultaneously produces both electrical (or mechanical) and thermal energy (such as heat or steam) from the same primary energy source and supplies more than one-third of its potential electric output to any utility power distribution system for sale.

202 COMBINED CYCLE GAS TURBINE – A type of stationary gas turbine wherein heat from the turbine exhaust is recovered by a steam generating unit to make steam for use in a steam-electric turbine.

203 CONTINUOUS EMISSION MONITORING SYSTEM (CEMS) – The total equipment required to sample and analyze emissions or process parameters such as opacity, nitrogen oxide and oxygen or carbon dioxide, and to provide a permanent data record.

204 COOLING TOWERS – Open water recirculating devices that use fans or natural draft to draw or force air through the device to cool water by evaporation and direct contact.

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- 205 DISTILLATE OIL** – A petroleum fraction of fuel oil produced by distillation that complies with the specifications for fuel oil numbers 1 or 2, as defined by the American Society for Testing and Materials in ASTM D396-01, "Standard Specification for Fuel Oils."
- 206 DRIFT** – Water droplets, bubbles, and particulate matter that escape from cooling tower stacks.
- 207 DRIFT RATE** – Percentage (%) of circulating water loss that passes through a high efficiency drift eliminator on a cooling tower.
- 208 ELECTRIC UTILITY STATIONARY GAS TURBINE** – Any stationary gas turbine that is constructed for the purpose of supplying more than one-third of its potential electric output capacity to any utility power distribution system for sale. Both simple and combined cycle gas turbines are types of electric utility stationary gas turbine.
- 209 ELECTRIC UTILITY STEAM GENERATING UNIT** – Any steam electric generating unit that uses fossil fuel and is constructed for the purpose of supplying more than one-third of its potential electric output capacity and more than 25 MW electric output to any utility power distribution system for sale.
- 210 EMERGENCY FUEL** - Fuel fired only during circumstances such as natural gas emergency, natural gas curtailment, or breakdown of delivery system such as an unavoidable interruption of supply that makes it impossible to fire natural gas in the unit.
- 211 EMISSION CONTROL SYSTEM (ECS)** – A system approved in writing by the Control Officer, designed and operated in accordance with good engineering practice to reduce emissions.
- 212 FOSSIL FUEL** – Naturally occurring carbonaceous substances from the ground such as natural gas, petroleum, coal and any form of solid, liquid, or gaseous fuel derived from such material for the purpose of creating energy.
- 213 FUEL OIL** – Liquid fuel derived from crude petroleum and broadly classified into distillate oils such as kerosene (used mostly for domestic and small commercial applications) and residual (used in utility and industrial boilers) oils. Fuel oils are classified into six different grades depending upon the physical and chemical properties for each grade of fuel oil.

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- 214 HEAT INPUT** – Heat derived from the combustion of fuel not including the heat input from preheated combustion air, recirculated flue gases, or exhaust gases from other sources, such as gas turbines, internal combustion engines and kilns.
- 215 HIGH EFFICIENCY DRIFT ELIMINATOR (HEDE)** – Device used to remove drift from cooling tower exhaust air, thus reducing water loss by relying on rapid changes in velocity and direction of air-droplet mixtures by impaction on eliminator passage surfaces. A HEDE is not categorized as an emission control system but is an inherent part of the cooling towers' design requirements.
- 216 HIGHER HEATING VALUE (HHV) or GROSS HEATING VALUE** – The amount of heat produced by the complete combustion of a unit quantity of fuel determined by a calorimeter wherein the combustion products are cooled to the temperature existing before combustion and all of the water vapor is condensed to liquid.
- 217 LOW SULFUR OIL** – Fuel oil containing less than or equal to 0.05% by weight of sulfur.
- 218 LOWER HEATING VALUE (LHV) OR NET HEATING VALUE** – The amount of heat produced by the complete combustion of a unit quantity of fuel determined by a calorimeter wherein the combustion products are cooled to the temperature existing before combustion and all of the water vapor remains as vapor and is not condensed to a liquid. The value is computed from the higher heating value by subtracting the water originally present as moisture and the water formed by combustion of the fuel.
- 219 NITROGEN OXIDES (NO_x)** – Oxides of nitrogen calculated as equivalent nitrogen dioxide.
- 220 OPACITY** – A condition of the ambient air, or any part thereof, in which an air contaminant partially or wholly obscures the view of an observer.
- 221 PARTICULATE MATTER (PM)** – Any material, except condensed water containing no more than analytical trace amounts of other chemical elements or compounds, that has a nominal aerodynamic diameter smaller than 100 microns (micrometers), and that exists in a finely divided form as a liquid or solid at actual conditions.
- 222 PARTICULATE MATTER EMISSIONS** – Any and all particulate matter emitted to the ambient air as measured by applicable state and federal test methods.

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- 223 PEAK LOAD** – 100% of the manufacturer's design capacity of a gas turbine at 288° Kelvin, 60% relative humidity, and 101.3 kilopascals pressure (ISO standard day conditions).
- 224 POWER PLANT OPERATION** – An operation whose purpose is to supply more than one-third of its potential electric output capacity to any utility power distribution system for sale.
- 225 RATED HEAT INPUT CAPACITY** – The heat input capacity in million Btu/hr., as specified on the nameplate of the combustion unit. If the combustion unit has been altered or modified such that its maximum heat input is different than the heat input capacity on the name plate, the maximum heat input shall be considered the rated heat input capacity.
- 226 RESIDUAL OIL** – The heavier oils that remain after the distillate oils and lighter hydrocarbons are distilled off in refinery operations. This includes crude oil or fuel oil numbers 1 and 2 that have a nitrogen content greater than 0.05% by weight, and all fuel oil numbers 4, 5 and 6, as defined by the American Society of Testing and Materials in ASTM D396-01, "Standard Specifications for Fuel Oils."
- 227 SIMPLE CYCLE GAS TURBINE** – Any stationary gas turbine that does not recover heat from the gas turbine exhaust gases to preheat the inlet combustion air to the gas turbine, or that does not recover heat from the gas turbine exhaust gases to heat water or generate steam.
- 228 STATIONARY GAS TURBINE** – Any simple cycle gas turbine, regenerative gas turbine or any gas turbine portion of a combined cycle gas turbine that is not self propelled or that is attached to a foundation.
- 229 SULFUR OXIDES (SO_x)** – The sum of the oxides of sulfur emitted from the flue gas from a combustion unit that are directly dependent upon the amount of sulfur in the fuel used.
- 230 THIRTY DAY (30) ROLLING AVERAGE** – An arithmetic mean or average of all hourly emission rates for 30 successive combustion equipment operating days calculated by a CEMS every hour.
- 231 THREE (3) HOUR ROLLING AVERAGE** – An arithmetic mean or average of the 180 most recent 1-minute average values calculated by a CEMS every minute.
- 232 TOTAL DISSOLVED SOLIDS (TDS)** – The amount of concentrated matter reported in milligrams/liter (mg/l) or parts per million (ppm) left after filtration of a well-

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mixed sample through a standard glass fiber filter. The filtrate is evaporated to dryness in a weighed dish and dried to constant weight at 180° C and the increase in dish weight represents the total dissolved solids.

233 UNCOMBINED WATER – Condensed water containing no more than analytical amounts of other chemical elements or compounds.

SECTION 300 – STANDARDS

301 LIMITATIONS – PARTICULATE MATTER:

301.1 FUEL TYPE: An owner or operator of any combustion equipment listed in Section 102 shall burn only natural gas except when firing emergency fuel per subsection 104.2 and 104.3 of this rule. An owner or operator may burn a fuel other than natural gas for non-emergency purposes providing that the fuel shall not cause to be discharged more than 0.007 lbs. per MMBtu heat input of particulate matter demonstrated and documented through performance testing of this alternate fuel. This usage of different fuels other than natural gas shall be approved by the Control Officer prior to usage.

301.2 GOOD COMBUSTION PRACTICES: An owner or operator of any stationary gas turbine listed in subsection 102.2, regardless of fuel type, shall use operational practices recommended by the manufacturer and parametric monitoring to ensure good combustion control. In lieu of a manufacturers' recommended procedure to ensure good combustion practices, one of the following procedures may be used:

a. Monitor the maximum temperature differential across the combustion burners or at locations around the back end of the turbine, dependent upon the particular unit, to ensure no more than a 100° F difference using a thermocouple. If a valid maximum temperature differential of greater than 100° F is observed across the burners, corrective action shall be taken within three hours to either reduce the output of the units until the temperature difference is 100° F or less or shut down the unit until the problem causing the temperature imbalance is corrected or

b. If the manufacturer recommends that the maximum numerical temperature differential to ensure good combustion is a temperature that is different than 100°F, then proof of this maximum alternate temperature shall be submitted to the Control Officer. The procedure to measure the maximum temperature differential listed above in subsection 301.2a shall

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then be followed using the alternate recommended maximum temperature differential after approval by Control Officer.

301.3 Cooling Towers: An owner or operator of a cooling tower associated with applicable units listed in Section 102 shall:

a. Equip the cooling tower with a high efficiency drift eliminator (HEDE). The HEDE shall be designed with a drift rate of no more than 0.001% and shall not be manufactured out of wood. The maximum allowable Total Dissolved Solids (TDS) concentration of the water used in the tower shall be 20,000 ppm and

b. Visually inspect the HEDE for integrity on a monthly basis only if the HEDE can be viewed safely and does not require an owner or operator to walk into the tower. If the HEDE cannot be safely inspected monthly then subsection 301.5 c shall apply:

c. Visually inspect the HEDE for integrity at least once per year during the regularly scheduled outage when the cooling tower is not operating if it cannot be inspected on a monthly basis.

d. Submit documentation of the physical configuration of the HEDE if the HEDE cannot be inspected monthly to the Control Officer if requested by the Control Officer.

302 LIMITATIONS – OPACITY: No person shall discharge into the ambient air from any single source of emissions any air contaminant, other than uncombined water, in excess of 20% opacity.

303 LIMITATIONS – SULFUR IN FUEL:

303.1 An owner or operator that uses natural gas shall combust natural gas with a maximum total sulfur content of 0.0075 grains per dry standard cubic feet (gr/dscf).

303.2 An owner or operator of any applicable equipment listed in Section 102 that burns fuel oil as emergency fuel or a combination of fuel oil with any other fuel as emergency fuel shall use only low sulfur oil with one exception. Existing supplies in storage of any fuel oil and/or of any used fuel oil with sulfur content greater than 0.05% by weight may be used by

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the owner or operator until (1.5 years after adoption of rule). This usage shall be reported to the Control Officer, along with the dates of usage.

304 LIMITATIONS – NITROGEN OXIDES: No owner or operator of any applicable equipment listed in subsection 102.1 that commenced construction or a major modification after May 30, 1972 shall cause to be discharged into the atmosphere nitrogen oxides in excess of the following limits:

304.1 0.20 lb. NOx per MMBtu (154-ppmv) heat input, calculated as nitrogen dioxide when burning gaseous fossil fuel. During steady state operations, this test result shall be based upon the arithmetic mean of the results of three test runs. Each test run shall have a minimum sample time of one hour. If a Continuous Emission Monitoring System (CEMS) is used, the test result shall be based upon a 30-day rolling average.

304.2 0.30 lb. NOx per MMBtu (230 ppmv) calculated as nitrogen dioxide when burning liquid fossil fuel. During steady state operations, this test result shall be based upon the arithmetic mean of the results of three test runs. Each test run shall have a minimum sample time of one hour. If a CEMS is used, the test result shall be based upon a 30-day rolling average.

305 LIMITATIONS - CARBON MONOXIDE: No owner or operator of any equipment listed in Section 102 shall cause to be discharged into the atmosphere carbon monoxide (CO) measured in excess of 400 ppmv during steady state compliance source testing. This test result shall be based upon the arithmetic mean of the results of three test runs. Each test run shall have a minimum sample time of one hour. During normal operation (CEMS compliance monitoring, if required) the carbon monoxide shall not exceed 1000 ppmv based upon a 3 hour rolling average. The CO concentration shall be measured dry and corrected to 3% oxygen for electric utility steam generating units and cogeneration steam generating units. The CO concentration shall be measured dry and corrected to 15% oxygen for, stationary gas turbines.

306 REQUIREMENTS FOR AIR POLLUTION CONTROL EQUIPMENT AND ECS MONITORING EQUIPMENT:

306.1 Emission Control System Required: For affected operations which may exceed any of the applicable standards set forth in Section 300 of this rule, an owner or operator may comply by installing and operating an emission control system (ECS).

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306.2 Providing and Maintaining ECS Monitoring Devices: No owner or operator required to use an approved ECS pursuant to this rule shall do so without first properly installing, operating, and maintaining in calibration and in good working order, devices for indicating temperatures, pressures, transfer rates, rates of flow, or other operating conditions necessary to determine if air pollution control equipment is functioning properly and is properly maintained as described in an approved O&M Plan.

306.3 Operation and Maintenance (O&M) Plan Required For ECS:

a. An owner or operator shall provide and maintain an O&M Plan for any ECS, any other emission processing equipment, and any ECS monitoring devices that are used pursuant to this rule or to an air pollution permit.

b. The owner or operator shall submit to the Control Officer for approval the O&M Plans of each ECS and each ECS monitoring device that is used pursuant to this rule.

c. An owner or operator that is required to have an O&M Plan pursuant to this rule shall fully comply with all O&M Plans that the owner or operator has submitted for approval, but which have not yet been approved, unless notified by the Control Officer in writing.

306.4 Continuous Emission Monitoring Systems (CEMS):

a. An owner or operator of a combustion unit subject to Section 304 with a heat input of greater than 250 MMBtu/hr, regardless of fuel type, shall install, calibrate, maintain, and operate a CEMS for measuring nitrogen oxides and recording the output of the system. Where nitrogen oxide emissions are monitored by a CEMS, then a CEMS shall also be required for the measurement of either the oxygen or carbon dioxide content of the flue gases. All CEMS shall comply with the provisions in 40 CFR Subpart Da, Part 60, 60.47 (a).

b. An owner or operator of any affected unit listed above that requires a CEMS for nitrogen oxides that meets and is continuing to meet the requirements of 40 CFR Part 75 may use that CEMS to meet the requirements of subsection 306.4a of this rule.

SECTION 400 - ADMINISTRATIVE REQUIREMENTS

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401 COMPLIANCE SCHEDULE

- 401.1 Operation and Maintenance (O&M) Plan:** Any owner or operator employing an approved ECS on the effective date of this rule shall by (insert 8 mos. after rule is adopted) file an O&M Plan with the Control Officer in accordance with subsection 306.3 of this rule.
- 401.2 ECS Modifications:** Any owner or operator required to modify their ECS equipment or system by either reconstructing or adding on new equipment for compliance with this rule shall by (insert 8 months after rule is adopted) file a schedule for the modification with the Control Officer. The plan shall show how the ECS is to be used to achieve full compliance and shall specify dates for completing increments of progress. Any and all ECS(s) used to achieve such compliance shall be in operation by (insert 36 months after date of adoption of rule).
- 401.3 CEMS Installation:** An owner or operator required to install or modify a CEMS to satisfy the requirements of this rule shall file a schedule for the installation or modification of the CEMS by (insert 8 months after the rule is adopted) and complete the installation of the CEMS by (insert 36 months after date of adoption of rule).

SECTION 500 - MONITORING AND RECORDS

- 501 RECORDKEEPING AND REPORTING:** Any owner or operator subject to this rule shall comply with the requirements set forth in this section. Any records and data required by this section shall be kept on site at all times in a consistent and complete manner and be made available without delay to the Control Officer or his designee upon request. Records shall consist of the following information:
- 501.1 Equipment Listed in Section 102:** Type of fuel used, amount of fuel used, amount of sulfur in the fuel, and the days and hours of operation.
- 501.2 Cooling Towers:** Monthly gravimetric testing reports for TDS and documentation of the physical configuration of the HEDE, if necessary, to prove that the HEDE cannot be inspected monthly.
- 501.3 Emergency Fuel Usage:** Type of emergency fuel used, dates and hours of operation using emergency fuel, nature of the emergency or purpose for the use of emergency fuel as stated in subsections 104.2 and 104.3 and monthly totals for twelve-month log of hours of operation in the emergency mode.

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501.4 CEMS: All CEMS measurements, results of CEMS performance evaluations, CEMS calibration checks, and adjustments and maintenance performed on these systems.

502 RECORDS RETENTION: Copies of reports, logs, and supporting documentation required by the Control Officer shall be retained for at least 5 years. Records and information required by this rule shall also be retained for at least 5 years.

503 COMPLIANCE DETERMINATION:

503.1 Low Sulfur Oil Verification:

a. An owner or operator shall submit fuel oil receipts from the fuel supplier indicating the sulfur content of the fuel or verification that the oil used to generate electric power meets the 0.05% sulfur limit if requested by the Control Officer.

b. An owner or operator shall submit a statement of certification or proof of the sulfur content of the oil from the supplier to the Control Officer if fuel receipts are not available.

c. An owner or operator may elect to test the fuel for sulfur content in lieu of certification from the fuel supplier or fuel receipts.

503.2 Verification of Sulfur Content of Natural Gas: An owner or operator shall submit either natural gas purchase contracts, pipeline transportation contracts, or vendor certification based upon fuel sampling, stating that the sulfur content of the natural gas natural is equal to or less than 0.0075 gr/dscf, if proof of sulfur content of the natural gas is requested by the Control Officer.

503.3 Drift Rate Verification: An owner or operator shall submit design drift rate verification from the manufacturer of the HEDE used in the cooling towers to the Control Officer if proof of the design drift rate is requested by the Control Officer.

504 TEST METHODS ADOPTED BY REFERENCE: The EPA test methods as they exist in the Code of Federal Regulations (CFR) (July 1, 2001), as listed below, are adopted by reference. These adoptions by reference include no future editions or amendments. Copies of test methods referenced in this Section are available at the Maricopa Environmental Services Department, 1001 N. Central Avenue, Phoenix, AZ 85004-1942. The ASTM methods (1971, 1978, 1990, 1996

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and 1998) and the Standard Methods listed below (1995) are also adopted by reference. When more than one test method as listed in subsections 504.10 through 504.13 is permitted for the same determination, an exceedance of the limits established in this rule determined by any of the applicable test methods constitutes a violation.

- 504.1** EPA Reference Methods 1 ("Sample and Velocity Traverses for Stationary Sources"), 1a ("Sample and Velocity Traverses for Stationary Sources with Small Stacks and Ducts") (40 CFR 60, Appendix A).
- 504.2** EPA Reference Methods 2 ("Determination of Stack Gas Velocity and Volumetric Flow Rate"), 2A ("Direct Measurement of Gas Volume Through Pipes and Small Ducts"), 2C ("Determination of Stack Gas Velocity and Volumetric Flow Rate in Small Stacks or Ducts") and 2D ("Measurement of Gas Volumetric Flow Rates in Small Pipes and Ducts") (40 CFR 60, Appendix A).
- 504.3** EPA Reference Method 3 ("Gas Analysis for the Determination of Dry Molecular Weight"), 3A ("Determination of Oxygen and Carbon Dioxide Concentrations in Emissions From Stationary Sources (Instrumental Analyzer Procedure)", 3B ("Gas Analysis for the Determination of Emission Rate Correction Factor of Excess Air"), 3C ("Determination of Carbon Dioxide, Methane, Nitrogen and Oxygen from Stationary Sources") (40 CFR 60, Appendix A).
- 504.4** EPA Reference Method 4 ("Determination of Moisture Content in Stack Gases") (40 CFR 60, Appendix A).
- 504.5** EPA Reference Method 5 ("Determination of Particulate Emissions from Stationary Sources") (40 CFR 60, Appendix A) and possibly, if requested by the Control Officer, EPA Reference Method 202 ("Determination of Condensable Particulate Emissions from Stationary Sources") (40 CFR 51, Appendix M).
- 504.6** EPA Reference Method 7 ("Determination of Nitrogen Oxide Emissions from Stationary Sources"), 7A ("Determination of Nitrogen Oxide Emissions from Stationary Sources"), 7B ("Determination of Nitrogen Oxide Emissions from Stationary Sources - Ultraviolet Spectrometry"), 7C ("Determination of Nitrogen Oxide Emissions from Stationary Sources - Alkaline-Permanganate Colorimetric Method"), 7D ("Determination of Nitrogen Oxide Emissions from Stationary Sources - Alkaline-Permanganate Chromatographic Method"), 7E ("Determination of

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Nitrogen Oxide Emissions from Stationary Sources – Instrumental Analyzer Method”) (40 CFR 60, Appendix A).

- 504.7 EPA Reference Method 9 (“Visual Determination of the Opacity of Emissions from Stationary Sources”) (40 CFR 60, Appendix A).
- 504.8 EPA Reference Method 10 (“Determination of Carbon Monoxide Emissions from Stationary Sources”) (40 CFR 60, Appendix A).
- 504.9 EPA Reference Method 20 (“Determination of Nitrogen Oxides, Sulfur Dioxide and Diluent Emissions from Stationary Gas Turbines”) (40 CFR 60, Appendix A).
- 504.10 American Society of Testing Materials, ASTM Method #D2622-98, (“Standard Test Method for Sulfur in Petroleum Products by Wavelength Disperse X-Ray Fluorescence Spectrometry”), 1998.
- 504.11 American Society of Testing Materials, ASTM Method #D1266-98, (“Standard Test Method for Sulfur in Petroleum Products - Lamp Method”), 1998.
- 504.12 American Society of Testing Materials, ASTM Method #D2880-71, 78, or 96, (“Standard Specification for Gas Turbine Fuel Oils”), 1971, 1978, or 1996.
- 504.13 American Society of Testing Materials, ASTM Method #D4294-90 or 98, (“Standard Test Method for Sulfur in Petroleum Products by Energy-Dispersive X-Ray Fluorescence Spectroscopy”), 1990 or 1998.
- 504.14 Standard Methods for the Examination of Water and Wastewater, (“Dissolved Solids Dried at 180°C, Method #2540C”), American Public Health Association, 19th edition, 1995, or ASTM Method 2510B.

HOLD FOR PICK UP:

SALT RIVER PROJECT
Land Department/PAB400
P. O. Box 52025
Phoenix, Arizona 85072-2025

OFFICIAL RECORDS OF
MARICOPA COUNTY RECORDER
HELEN PURCELL
00-0370187 05/16/00 12:27
CLARK 1 OF 1

**DO NOT REMOVE
THIS PAGE IS PART OF THE ORIGINAL
DOCUMENT**

**INTERGOVERNMENTAL AGREEMENT
BETWEEN THE TOWN OF GILBERT
AND THE
SALT RIVER PROJECT**

This Intergovernmental Agreement is entered into this 25th day of April, 2000 by and between the town of Gilbert, Arizona, a municipal corporation of the State of Arizona ("Town") and the Salt River Project Agricultural Improvement and Power District, a political subdivision of the State of Arizona ("SRP").

RECITALS

1. SRP is authorized by law to generate and distribute electric power and provides such electric power to customers in Town in SRP's exercise of its governmental capacity.
2. SRP has notified Town that in order to meet projected demands in the Town and surrounding areas it is necessary to expand the Santan Generating Plant ("Plant"), an existing electric generating facility in Town, by adding 825 MW of additional generating capacity.
3. SRP has initiated and participated in the Santan Community Working Group, which includes representatives of the Town and the community, to address issues raised by the Plant expansion. The Santan Community Working Group has recommended measures to improve the Plant property and the surrounding area.
4. The Parties desire to implement the recommendations of the Santan Community Working Group and to institute cooperative action in conjunction with the expansion of the Plant through the actions set forth in this Intergovernmental Agreement.
5. Town is authorized to enter into this Intergovernmental Agreement pursuant to A.R.S. § 9-240 and SRP is authorized to enter into this Intergovernmental Agreement pursuant to A.R.S. § 48-2337.

NOW THEREFORE, in consideration of the mutual promises contained herein, the Parties agree as follows:

1. **SRP OBLIGATIONS:** Contingent upon SRP receiving the necessary approvals for expansion of the Plant, SRP shall, at its cost, cause the following to be performed:

1.1 **Improvements to Warner Road and Val Vista Road:** SRP shall, at its cost, improve or pay the cost of improving the portion of Warner Road and Val Vista Road adjacent to the Plant property boundary. Improvements shall include, but not be limited to, (i) improving the south half of Warner Road and the east half of Val Vista Road, including the construction of sidewalks, a median and street lighting facilities, and (ii) installation of landscaping on the north side of Warner Road. All such improvements shall comply with Town standards and the Town

shall maintain all landscaping improvements not located on Plant property. As part of such improvements, SRP shall pay the cost of relocating the existing 69 kV line and other electrical facilities as relocation may be required by the construction of the improvements.

1.2 Screening of the Plant: SRP shall provide screening on the north and west sides of the Plant property. Such screening shall be compatible with the design and landscaping of Warner Road and shall be approved by Town. Screening on the north side will be evaluated as part of the Warner Road improvements described in Paragraph 1.1 and as may be determined by the Santan Community Working Group on or before December 31, 2000. Screening on the west side will include evaluating the use of berms, vegetation, architectural treatment and/or walls. SRP will remove the northern fuel tanks (which is necessary to construct the Plant improvements) and will paint the remaining tank.

1.3 Trail Extension: SRP shall design and construct or pay the cost of construction on the east edge of the Plant property a horseback/hiking trail, crossing lights, and trail heads at both the north and south end of the trail. At the south end, a bridge over the canal into Crossroads Park shall be constructed. SRP will delineate property boundaries and dedicate the property to the Town, retaining appropriate property rights for necessary transmission lines and transmission line access. The Town will be responsible for ongoing maintenance.

1.4 Rerouting of Canal at Ray Road: SRP shall reroute the SRP Eastern Canal at Ray Road to eliminate the portion parallel to Ray Road. The Town agrees to grant any necessary easements over its property to facilitate the rerouting. The canal relocation is subject to the paramount rights and appropriate approvals of the United States, and shall acknowledge the prior rights of the United States and SRP.

1.5 Training Tower Removal: SRP will remove the lattice tower transmission training tower presently on the Plant property.

1.6 Revegetation Along New RS 18 Line: For a distance of one mile going north from Plant property boundaries, SRP will restore any vegetation damaged or destroyed along the RS 18 line as a result of the construction of the line. Vegetation which dies within six months of the work will be presumed to have resulted from the construction of the line and will be replaced at SRP's cost.

1.7 Dust Control Along Canals: SRP shall be responsible for meeting applicable PM-10 standards along SRP canal banks. The Parties acknowledge that Town has no jurisdiction to enforce such standards.

1.8 Offsite Tree Planting: SRP shall develop an offsite tree planting program in the local impact area (without maintenance) pursuant to mitigation concepts developed and accepted by the Santan Community Working Group on or before December 31, 2000.

2. TOWN OBLIGATIONS: Town agrees to do the following:

2.1 Acceptance of Dedications and Improvements: Upon completion in accordance with Town standards, Town shall accept the dedication and improvements described in Paragraphs 1.1 and 1.3.

2.2 Cooperation with SRP: Town agrees to work cooperatively with SRP in order that the agreements of SRP contained in Paragraph 1 will not be unreasonably delayed.

2.3 Regulatory Testimony: The Town recognizes SRP and the Santan Community Working Group have identified measures over which the Town has jurisdiction and which will serve to mitigate impacts the Plant expansion will have on the community. The Town recognizes it has a role in implementing these recommended measures and it therefore agrees it will provide supportive testimony regarding the public process which led to this Intergovernmental Agreement and the agreements contained herein.

3. SRP EXERCISE OF ITS GOVERNMENTAL POWERS.

The parties acknowledge that the Town does not have zoning jurisdiction over SRP in SRP's exercise of its governmental functions.

4. PARTIES TO NEGOTIATE FURTHER AGREEMENTS:

4.1 Cooling Water: Town and SRP explore the possibility of SRP purchasing from Town a supply of cooling water for the Plant. Any such agreements for the purchase of cooling water may include, but not be limited to, the following water supplies:

4.1.1 Surface water available in Town's domestic water service account.

4.1.2 CAP water allocated to or leased by Town.

4.1.3 Recharge credits earned by Town in SRP's Groundwater Savings Facility.

4.1.4 Reclaimed water owned by Town.

4.2 Discharges of Cooling Water: Town and SRP will explore the possibility of an agreement for the use of Town's facilities for the discharge of cooling water from the Plant.

4.3 Natural Gas Supply: Town agrees to cooperate to the extent of its governmental powers to facilitate the SRP access to its natural gas supply.

5. GENERAL PROVISIONS:

5.1 Notices: Any notice, consent or other communication ("Notice") required or permitted under this Agreement shall be in writing and either delivered in person, sent by facsimile transmission, deposited in the United States mail, postage prepaid, registered or certified mail, return receipt requested, or deposited with any commercial air courier or express service addressed as follows:

If to Town of Gilbert:

Town Manager
Town of Gilbert
1025 South Gilbert Road
Gilbert, Arizona 85296
(480) 503-6862 (telephone)
(480) 497-4943 (facsimile)

with a copy to:

Gilbert Town Attorneys
c/o Martinez & Curtis, P.C.
2712 North 7th Street
Phoenix, Arizona 85006-1090
(602) 248-0372 (telephone)
(602) 274-2381 (facsimile)

If to SRP:

Terrill A. Lonon
Corporate Secretary
Salt River Project
Post Office Box 52025
Phoenix, Arizona 85072-2025
(602) 236-5005 (telephone)
(602) 236-2188 (facsimile)

with a copy to:

Corporate Counsel
Salt River Project
Post Office Box 52025
Phoenix, Arizona 85072-2025
(602) 236-2249 (telephone)
(602) 236-2188 (facsimile)

Notice shall be deemed received at the time it is personally served, on the day it is sent by facsimile transmission, on the second day after its deposit with any commercial air courier or express service, or, if mailed, five days after the Notice is deposited in the United States mail as above provided. Any time period stated in a Notice shall be computed from the time the Notice is deemed received. Either party may change its mailing address or the person to receive Notice by notifying the other party as provided in this paragraph. Notices sent by facsimile transmission shall also be sent by regular mail to the recipient at the above address. This requirement or

duplicate notice is not intended to change the effective date of the Notice sent by facsimile transmission.

5.2 Governing Law: This Contract shall be governed by the laws of the State of Arizona.

5.3 Duration: This Agreement shall remain in effect until the actions contemplated or required herein are completed by the parties.

5.4 Conflict of Interest: This Agreement may be terminated pursuant to the provisions of A.R.S. Section 38-511.

5.5 Successors and Assigns: This Agreement shall not be assignable, except at the written consent of the parties hereto; and it shall extend to and be binding upon the heirs, executors, administrators, successors and assigns of the parties hereto.

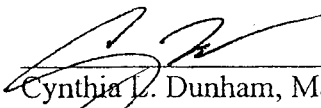
5.6 Additional participants in the Plant: SRP may include other participants in the operation, ownership and /or financing of the Plant expansion; provided however, that the addition of other participants shall not reduce or modify the obligations set forth herein.

IN WITNESS WHEREOF, the parties hereto have caused this document to be executed the date and year first herein above written.

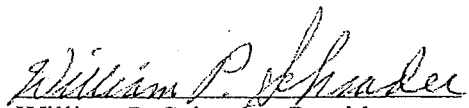
TOWN OF GILBERT,
A municipal corporation

SALT RIVER PROJECT
AGRICULTURAL IMPROVEMENT
AND POWER DISTRICT,
a political subdivision

By:

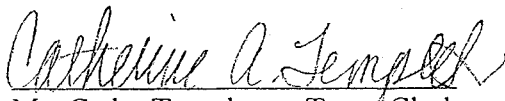

Cynthia L. Dunham, Mayor

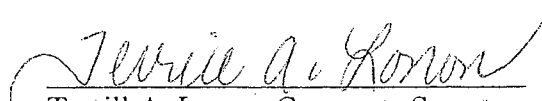
By:


William P. Schrader, President

ATTEST:


ATTEST AND COUNTERSIGN:

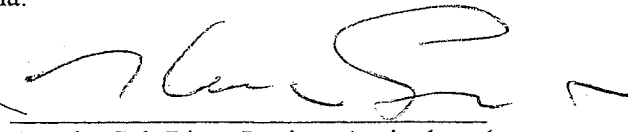

Ms. Cathy Templeton, Town Clerk


Terrill A. Lonon, Corporate Secretary

ATTORNEY DETERMINATION

In accordance with the requirements of ARS Section 11-952(D), each of the undersigned attorneys acknowledge that: (1) they have reviewed the above Agreement on behalf of their respective clients; and, (2) as to their respective clients only, each attorney has determined that this Agreement is in proper form and is within the powers and authority granted under the laws of the State of Arizona.


For the Town of Gilbert


For the Salt River Project Agricultural
Improvement District

Date April 25, 2000

Date May 9, 2000